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PROCEEDINGS

(Whereupon Respondent's
Exhibit 8.5 was marked
for purposes of
identification as of
this date.)

JUDGE JONES: Good morning. I call for hearing
Docket Number 05-0160, -0161 and -0162 consolidated,
Central Illinois Light Company d/b/a AmerenCILCO,
Central Illinois Public Service Company and Illinois
Power Company, all filed as proposals to implement a
competitive procurement process by establishing Rider
BGS, etc.

At this time we would ask the parties to enter
your respective appearances orally for the record,
first on behalf of the Ameren companies

MR. FLYNN: Christopher Flynn, Peter Trombley
and Laura Earl from the Jones Day firm. In addition,
Mr. Ed Fitzhenry from the Ameren utilities and also
appearing this morning Mr. Jeffrey Jakubiac from the
Troutman Sanders firm, and we will have a motion with
respect to Mr. Jakubiac's appearance before you,

1 Judge, shortly.

2 JUDGE JONES: Thank you. Other parties?

3 MR. RIPPPIE: On behalf of Commonwealth Edison
4 Company, Glenn Rippie, Foley and Lardner, LLP, and
5 Anastasia Polek-O'Brien, Commonwealth Edison Company.

6 MR. ROBERTSON: Eric Robertson, Lueders,
7 Robertson and Konzen, and Conrad Reddick on behalf of
8 the Illinois Industrial Energy Consumers.

9 MR. LAKSHMANAN: On behalf of Dynegy, Inc.,
10 Joseph L. Lakshmanan.

11 MR. FEELEY: Representing Staff of the Illinois
12 Commerce Commission, John Feeley, John Reichart,
13 Carmen Fosco and Carla Scarsella.

14 MR. TOWNSEND: On behalf of the Coalition of
15 Energy Suppliers, the law firm of DLA Piper Rudnick
16 Gray Cary US, LLP, by Christopher J. Townsend.

17 MR. ROSEN: Larry Rosen on behalf of Citizens
18 Utility Board.

19 MS. SATTER: Susan L. Satter and Susan Hedman
20 appearing on behalf of the people of the State of
21 Illinois.

22 JUDGE JONES: Thank you. Are there other

1 appearances from anyone that is in Springfield?

2 MS. BARRETT: Yes, on behalf of Midwest
3 Generation EME, LLC, Ronit Barrett of Eimer, Stahl,
4 Klevorn & Solberg, LLP.

5 JUDGE JONES: Are there any other appearances
6 from anyone in Springfield? Are there any
7 appearances to be entered by anyone who is on the
8 phone in the Chicago office? Let the record show
9 there is not.

10 Mr. Flynn, do you want to make your motion at
11 this time?

12 MR. FLYNN: Yes. We would ask that
13 Mr. Jakubiac of the Troutman Sanders firm who is
14 admitted to practice law in the District of Columbia
15 and the state of New York be permitted to appear in
16 this proceeding pro hoc vice.

17 JUDGE JONES: Will he be entering a written
18 appearance?

19 MR. FLYNN: I believe he has. He can file a
20 written appearance on e-Docket if you wish. We can
21 take care of that today.

22 JUDGE JONES: Mr. Jakubiac is licensed to

1 practice where?

2 MR. FLYNN: The District of Columbia and the
3 state of New York.

4 JUDGE JONES: Are there any objections to the
5 motion? Let the record show there are not. Special
6 leave is granted to Mr. Jakubiac to so appear.

7 MR. FLYNN: Did you want us to file a written
8 appearance?

9 JUDGE JONES: Yes.

10 MR. FLYNN: All right. We will take care of
11 that today.

12 JUDGE JONES: There is a witness lineup that is
13 in place. I believe the first two witnesses who will
14 be crossed have been switched. That was addressed
15 yesterday. There may be some other matters the
16 parties wanted to address up front in terms of
17 witnesses whose testimony is going in by affidavit.
18 Is that still the case?

19 MR. LAKSHMANAN: Yes, Your Honor.

20 JUDGE JONES: Could you identify yourself?

21 MR. LAKSHMANAN: I am sorry. This is Joseph
22 Lakshmanan and on behalf of Dynegy we would move the

1 admission of two exhibits. These are the direct
2 testimony and the rebuttal testimony of Heather L.
3 Dornbusch. The exhibits are DYN Exhibit 2.0 which
4 was filed on e-Docket on June 15 and the rebuttal
5 testimony of Heather Dornbusch which was filed on
6 e-Docket on August 10. The direct testimony is DYN
7 Exhibit 2.0, the rebuttal testimony is DYN Exhibit
8 2.1. An affidavit by Ms. Dornbusch was served on the
9 parties yesterday and was filed in e-Docket.
10 However, I received a voice mail that there may have
11 been an issue, and if there was, we will be refiling
12 it this morning on e-Docket. I received a message
13 from the clerk's office regarding that.

14 JUDGE JONES: The affidavit covers --

15 MR. LAKSHMANAN: The affidavit covers both
16 exhibits, DYN Exhibit 2.0 and DYN Exhibit 2.1.

17 JUDGE JONES: Have you put an exhibit number on
18 the affidavit as yet?

19 MR. LAKSHMANAN: We have not. If you would
20 like us to, we can.

21 JUDGE JONES: We will make that 2.2.

22 MR. LAKSHMANAN: Thank you, Your Honor.

1 JUDGE JONES: And you are offering that
2 testimony by that motion, is that correct?

3 MR. LAKSHMANAN: Yes, Your Honor.

4 JUDGE JONES: Any objection? Let the record
5 show there is not. Let the record show that the
6 testimony of Ms. Dornbusch, DYN Exhibit 2.0 filed
7 June 15, 2005, on e-Docket is admitted into the
8 record. Also DYN Exhibit 2.1, rebuttal testimony of
9 Ms. Dornbusch filed August 10, 2005, on e-Docket is
10 admitted into the evidentiary record.

11 (Whereupon DYN Exhibits
12 2.0 and 2.1 were
13 admitted into
14 evidence.)

15 JUDGE JONES: You are not sure at this point
16 whether the affidavit actually appears on e-Docket or
17 may need to be resubmitted, is that right?

18 MR. LAKSHMANAN: That is correct, Your Honor.

19 JUDGE JONES: The affidavit will be DYN Exhibit
20 2.2. It will be deemed admitted as filed on whatever
21 day e-Docket reflect it is filed.

22 MR. LAKSHMANAN: Thank you, Your Honor.

1 JUDGE JONES: Anything else on that?

2 MR. LAKSHMANAN: No, Your Honor.

3 JUDGE JONES: Mr. Flynn, did you want to offer
4 some testimony by affidavit before we get to the
5 witness to be crossed?

6 MR. FLYNN: Yes, I do, Judge. We had filed on
7 February 28, 2005, the direct testimony and exhibits
8 of Steven Fetter which were marked as Respondent's
9 Exhibits 8.0 through 8.4. In addition, today we have
10 distributed to the parties and we will be filing on
11 e-Docket today Respondent's Exhibit 8.5 which is an
12 affidavit that verifies Exhibits 8.0 but 8.4. We
13 would move for the admission of Respondent's Exhibits
14 8.0 through 8.5.

15 JUDGE JONES: What was the file date on those
16 again?

17 MR. FLYNN: The file date on 8.0 through 8.4
18 was February 28, 2005, and those are reflected on the
19 exhibit list that we distributed previously. And as
20 I mentioned, the affidavit will be filed today.

21 JUDGE JONES: Thank you. Any objection to
22 that? Let the record show there is not. Those all

1 bear the R-E-S-P prefix?

2 MR. FLYNN: Yes.

3 JUDGE JONES: Respondent's Exhibits 8.0 through
4 8.4 inclusive are admitted into the evidentiary
5 record as filed on e-Docket on February 28, 2005.
6 The affidavit of Mr. Fetter will be deemed admitted
7 in to record as Respondent's Exhibit 8.5 on the date
8 that e-Docket reflects it is filed.

9 (Whereupon Respondent's
10 Exhibit 8.0, 8.1, 8.2,
11 8.3 and 8.4 were
12 admitted into
13 evidence.)

14 JUDGE JONES: Off the record regarding Ameren
15 direct exhibits.

16 (Whereupon there was
17 then had an
18 off-the-record
19 discussion.)

20 JUDGE JONES: Back on the record. There was a
21 short off-the-record discussion regarding the exhibit
22 numbers for some of the Ameren Company direct

1 exhibits. We won't go into detail here other than
2 to say that the question arises because at the time
3 the direct testimonies were filed on e-Docket, each
4 of the Ameren Company dockets was a stand-alone
5 docket. They have since been consolidated so
6 subsequent rounds of testimony do not raise this
7 same question. Mr. Flynn has explained to the
8 parties what he plans to do and I think we will just
9 move forward.

10 MR. FLYNN: I guess with that we are prepared
11 to call our first witness today. Unfortunately, he
12 is the only one in the room who can be sworn at this
13 time. So if we forget with respect to later
14 witnesses, then we would appreciate a reminder. I am
15 calling Mr. Craig Nelson.

16 JUDGE JONES: Mr. Nelson, we will go ahead and
17 swear you in at this time.

18 (Whereupon the Witness
19 was duly sworn by Judge
20 Jones.)

21 JUDGE JONES: Thank you. Please be seated
22 whenever you are ready. Can you hear us okay in the

1 back of the room?

2 WITNESS NELSON: I am ready, Your Honor.

3 JUDGE JONES: Thank you. Mr. Flynn.

4 CRAIG D. NELSON

5 called as a Witness on behalf of the Ameren
6 companies, having been first duly sworn, was examined
7 and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. FLYNN:

10 Q Good morning. Would you please state your
11 name for the record.

12 A My name is Craig Nelson.

13 Q And on whose behalf are you appearing
14 today?

15 A The three Ameren utilities, AmerenCIPS,
16 AmerenIP and AmerenCILCO.

17 Q Mr. Nelson, did you prepare and submit
18 direct testimony in this proceeding?

19 A Yes, I did.

20 Q I show you a document previously marked as
21 Respondent's Exhibit 2.0 bearing the caption Direct
22 Testimony of Craig D. Nelson dated February 28, 2005.

1 Is this a copy of your direct testimony in this case?

2 A Yes, it is.

3 Q Sir, did you also prepare and submit
4 rebuttal testimony in this case?

5 A Yes, I did.

6 Q I show you a document previously marked as
7 Respondent's Exhibit 10.0 bearing the caption
8 Rebuttal Testimony of Craig D. Nelson dated July 13,
9 2005. Is this a copy of your rebuttal testimony?

10 A Yes.

11 Q Did you also prepare and submit surrebuttal
12 testimony in this case?

13 A Yes.

14 Q I show you a document previously marked as
15 Respondent's Exhibit 17.0 bearing the caption
16 Surrebuttal Testimony of Craig D. Nelson dated August
17 29, 2005. Is this a copy of your surrebuttal
18 testimony?

19 A Yes.

20 Q Mr. Nelson, I am also going to show you a
21 document marked as Respondent's Exhibit 17.1 entitled
22 Errata for Testimony of Craig D. Nelson. Does this

1 document contain corrections to your direct, rebuttal
2 and surrebuttal testimony?

3 A Yes.

4 Q Do you have any corrections to make other
5 than those reflected on Respondent's Exhibit 17.1?

6 A No other corrections.

7 MR. FLYNN: Judge, I would move for the
8 admission into evidence of Respondent's Exhibit 2.0,
9 the direct filed on e-Docket on February 28, 2005,
10 Respondent's Exhibit 10.0, the rebuttal testimony
11 filed on e-Docket on July 13, 2005, Respondent's
12 Exhibit 17.0, the surrebuttal testimony filed on
13 e-Docket on August 29, 2005, and Respondent's Exhibit
14 17.1, the errata for the testimony of Craig D. Nelson
15 filed on e-Docket on September 12, 2005.

16 JUDGE JONES: Thank you. Any objections to
17 that? Let the record show there are not. The
18 exhibits just identified by Mr. Flynn in his motion
19 to admit them are hereby admitted into the
20 evidentiary record. They will bear the same exhibit
21 numbers and file dates as noted in the motion

22 (Whereupon Respondent's

1 Exhibit 2.0, 10.0, 17.0 and 17.1 were
2 admitted into evidence.)

3 MR. FLYNN: Mr. Nelson is tendered for cross
4 examination.

5 JUDGE JONES: It looks like several parties
6 have cross examination for Mr. Nelson. Who would
7 like to lead off?

8 MS. SATTER: I will.

9 JUDGE JONES: Ms. Satter.

10 CROSS EXAMINATION

11 BY MS. SATTER:

12 Q Good morning, Mr. Nelson.

13 A Good morning.

14 Q I am Susan Satter appearing on behalf of
15 the People of the State of Illinois. First I want to
16 start with your direct testimony when you describe
17 your background. You said that you are currently
18 Vice President of Strategic Initiatives for Ameren
19 Service Company?

20 A That's correct.

21 Q And Ameren Service Company is a subsidiary
22 of Ameren Corporation, is that correct?

1 A Yes.

2 Q And does it provide services to all the
3 Ameren companies?

4 A Yes.

5 Q Okay. And that includes Ameren Energy
6 Generating Company?

7 A Correct.

8 Q So it includes the three Illinois
9 utilities, Union Electric in Missouri and Ameren
10 Energy Generating?

11 A Among others, yes.

12 Q And there are other companies as well?

13 A Yes.

14 Q And you have been with Ameren since 19 --
15 excuse me, you have been with Central Illinois Public
16 Service since 1979?

17 A Correct.

18 Q And you have had a wide range of
19 responsibilities during the course of your
20 employment, correct?

21 A Yes.

22 Q Now, you testified that CIPS, CILCO and IP

1 all have no generating facilities currently, is that
2 correct?

3 A I testified they have minimal generating
4 facilities.

5 Q And did CIPS transfer its generation in May
6 of 2000?

7 A I believe that is correct.

8 Q And CILCO in about 2002?

9 A Correct.

10 Q And Illinois Power in 1999?

11 A Yes.

12 Q So all these companies have had to attain
13 power for their customers since these generation
14 facilities were transferred, is that correct?

15 A That is correct.

16 Q And is power acquisition part of your
17 duties?

18 A Yes, it is.

19 Q And how long have you been responsible for
20 power acquisition?

21 A I am trying to remember what year I was
22 named Vice President of Corporate Planning.

1 Q Vice President of Corporate Planning?

2 A Of Ameren Services. And that role -- my
3 guess is that that was 1998. Part of my
4 responsibilities as VP of Corporate Planning was
5 acquisition of long term power supply. So since then
6 at least. It may have been 1999, I am not sure.

7 Q I believe your direct testimony states when
8 you became Vice President of Corporate Planning. Is
9 it corporate services? We have here --

10 A Well, okay, here it is. This is on line 37
11 of my direct. Effective June 1, '99, I was appointed
12 VP of Corporate Planning and then in October I was
13 appointed VP of Strategic Initiatives.

14 Q And in both of those roles you were
15 responsible for power supply?

16 A That is correct.

17 Q In your direct testimony at lines 446 to
18 451 you refer to certain basic generation service or
19 BGS costs including labor consulting, administration
20 and general capital and other costs related to power
21 supply. Are these the same costs that Mr. Mill
22 addresses in his rebuttal and surrebuttal testimony

1 in connection with the supply procurement adjustment?

2 A I think so, but could you give me the
3 reference again? Line 4 what?

4 Q 446.

5 A Of my direct?

6 Q Yeah.

7 A I am sorry, I don't see it on line 446 in
8 my direct.

9 Q Do you know what I am referring to?

10 A Yes, I do and I think the answer to your
11 question in general is yes. There are three or four
12 of us specifically in my group and I would assume
13 that our salaries would be recovered through that
14 adjustment described by Mr. Mill, among other things.

15 Q Right. There was a list of costs, correct?

16 A Yes.

17 Q Let's see if I can come up with -- and are
18 these the costs that Ameren would expect to incur to
19 be able to offer bundled service to its customers
20 including power supply?

21 A Yes, those types of costs.

22 Q Now, you refer in your testimony to an

1 auction in Ohio?

2 A Yes, I do.

3 Q Are you familiar with the outcome of that
4 auction?

5 A Somewhat familiar.

6 Q So you know that the auction results were
7 not used in Ohio, correct?

8 A I wouldn't say that's correct. They were
9 used to make a decision.

10 Q Okay. Do you want to describe how they
11 were used to make the decision?

12 A Well, there was -- as I understand it and
13 my understanding is limited, I reviewed some of the
14 documents and I talked to others, but there was an
15 offer-to-beat that was offered by some affiliates, I
16 believe, and the auction result was compared to that
17 price-to-beat. The price-to-beat was somewhat
18 better.

19 Q So the price-to-beat was lower?

20 A Yes.

21 Q And so that was the price the consumers
22 ultimately paid?

1 A That is my understanding.

2 Q Now, you claim that the BGS will be
3 supplied by the lowest cost bidder, is that correct?

4 A That's correct.

5 Q And you agree that BGS will be supplied by
6 as many suppliers as are necessary to serve all the
7 contracts?

8 A Yes.

9 Q You don't expect just one supplier,
10 correct?

11 A It would be impossible under the rules we
12 proposed with a 35 percent cap.

13 Q So there won't be one supplier?

14 A Correct.

15 Q And the price paid is determined when all
16 the tranches are supplied with no excess, right?

17 A No excess? That's correct.

18 Q And that is because the price ticks down
19 under your proposal and stops when the supply equals
20 the demand?

21 A That is correct.

22 Q And there may be suppliers whose costs are

1 lower than the suppliers whose price set the auction?

2 A Costs, what type of costs?

3 Q The costs that they incur to produce their
4 product or to deliver their product -- excuse me,
5 strike that, not deliver, because that is different?

6 A You are talking about production costs, bus
7 bar costs, opportunity costs.

8 Q All these things.

9 A Then I think I would have to hear your
10 question again. I think the answer is no.

11 Considering opportunity costs, there is --
12 theoretically, no one is leaving anything on the
13 table. The result is a market price.

14 Q If we look at operating costs?

15 A I don't know what the bus bar costs of each
16 of those entities is, so I really don't know.

17 Q You wouldn't know what production costs
18 were either?

19 A No.

20 Q And no one need ever know what the costs
21 are for production, for generation, because the
22 bidding stops at the highest price when all the

1 tranches are filled with no excess, correct?

2 A No, it stops at the lowest price.

3 Q The lowest price at which all tranches are
4 filled?

5 A That is correct.

6 Q So you don't know if some other supplier
7 would have a lower cost or be willing to go lower?

8 A No, you don't know. The process is set up
9 to get the lowest market price through the bidding,
10 competitive bidding process.

11 Q And when you say the lowest market price,
12 you mean the lowest price for a full requirements
13 contract that is obtained on that day?

14 A That is correct. There is a product there
15 that suppliers are bidding on that's clearly defined
16 in the supplier forward contract agreement and that's
17 what suppliers are bidding on and that's what the
18 utilities will use to supply their load.

19 Q So the auction does not involve any other
20 type of electric service contract?

21 A Supplier forward contract, yes.

22 Q It is only the one full requirements

1 vertical tranche contract for one or three years at
2 the time of the auction?

3 A In general, yes. There are other
4 agreements signed as part of the auction process by
5 bidders, but that is the contract that locks in the
6 supply arrangement for the utilities.

7 Q So it does not set a market price for, for
8 example, 24 by 7 blocks of power, correct?

9 A Correct.

10 Q Or peak power?

11 A Correct.

12 Q Or unit contingent contracts for
13 electricity, correct?

14 A Correct.

15 Q So it does not set the market price for
16 those products?

17 A Correct.

18 Q Or for any product other than the full
19 requirements vertical charge?

20 A And I wouldn't necessarily say that it sets
21 the market price for that. It's the result of
22 competition which we believe is the market price.

1 The market price is the market price. I don't
2 necessarily think the auction sets the market price.

3 Q So it is a price set through this process
4 that you propose?

5 A Yes.

6 Q Now, your proposal is to obtain all of the
7 supply for the Ameren companies from the auction,
8 correct?

9 A That's correct.

10 Q And there may be situations where a
11 supplier is unable to provide service, correct?

12 A Yes, there may.

13 Q And in that instance would Ameren be
14 responsible for attaining replacement supply?

15 A Yes, it would.

16 Q And would Ameren use its knowledge of the
17 electric industry and market to attain that supply?

18 A Yes and no. It depends on how much time is
19 left before the contract expires with the defaulting
20 supplier.

21 Q So in making a decision of how to obtain
22 replacement power, the company would still use its

1 knowledge, would it not, even in making the decision
2 where to go to obtain that power?

3 A Well, I am trying to explain is in the
4 auction rules that we propose, we specify that if a
5 supplier defaults and there is less than 90 days
6 before the contract would have expired, the Ameren
7 companies would go to the MISO spot markets to
8 arrange supply. If the default occurs when there is
9 more than 90 days before expiration, then we intend
10 to use an RFP process. So in that one instance we
11 are using our judgment in proposing that rule but we
12 will follow the rule if there is a default.

13 Q Okay. So you are making that decision
14 today?

15 A We are proposing that and the Commission
16 will approve it, I hope.

17 Q And when that time comes, would you expect
18 -- or if that time comes, would you expect to have
19 some flexibility if an unusual circumstances were
20 presenting itself and was disrupting, for example,
21 the MISO spot markets?

22 A Yes, we would use our judgment. We would

1 talk to Staff if we saw some market anomaly before we
2 took action.

3 Q Now, beyond the 90-day period then Ameren
4 would be responsible to attain the replacement
5 supply?

6 A Correct.

7 Q And it would do that in the most reasonable
8 manner possible, correct?

9 A Yes. And more specific we suggested an
10 RFP. You might have to ask Mr. Blessing, I can't
11 remember if the term of the new contract would be to
12 the next auction or over the remaining life of the
13 contract where the party defaulted. I forgot.

14 Q And do you expect to attempt to minimize
15 the cost to consumers in attaining this replacement
16 supply?

17 A Yes. Again, we would intend to use and
18 will be required to use a competitive bid process.
19 We are required to do so by FERC. And it would be a
20 transparent fair competitive bid process.

21 Q And you would make the same efforts to
22 attain fair and reasonable supply terms whether the

1 breach was due to an action of Ameren or an action of
2 the supplier, correct?

3 A Yes.

4 Q Now, several -- when we first started you
5 told us the years that the Ameren companies have
6 transferred their generation. And during that period
7 your group has been responsible for attaining
8 electricity for those utilities, correct, when they
9 were under Ameren ownership?

10 A That's only partly correct. What actually
11 happened in the case of CIPS and CILCO and in part by
12 IP were at the time that those utilities filed with
13 the Illinois Commerce Commission and FERC, they also
14 filed a proposed PPA that would be used throughout
15 the term of the transition period. So part of the
16 Commission -- it was part of the approval process for
17 that generation transfer that the PPA was put in
18 place. Then FERC did approve those PPAs.

19 Q And were these all affiliate contracts?

20 A They were at the time. They are not all
21 affiliate now.

22 Q Referring specifically to CIPS, that's an

1 affiliate contract, right?

2 A That is correct.

3 Q With Ameren Generation?

4 A It is actually with Ameren Marketing
5 Company.

6 Q But the supply is provided through plants
7 owned by Ameren Energy Generating, is that correct?

8 A In part.

9 Q In part, okay. And so --

10 A In fact -- I am sorry, I think it is -- no,
11 in part is the correct answer.

12 Q And CILCO, did it also have a power
13 purchase agreement with an affiliate?

14 A Yes, it did.

15 Q And did that affiliate provide power
16 through generating facilities that have
17 formerly been owned by CILCO?

18 A Yes, correct.

19 Q Now, Illinois Power was purchased by Ameren
20 about a year ago, is that correct?

21 A Correct.

22 Q And you testified before this Commission

1 about Ameren's efforts to attain power for Illinois
2 Power, didn't you?

3 A Yes, I did.

4 Q And at that time Illinois Power did not own
5 generation, correct?

6 A That's correct, except for a very minor
7 amount, five megawatts or something.

8 Q And IP was still under the statutory rate
9 freeze at that time?

10 A Correct.

11 Q And Ameren succeeded in attaining power for
12 Illinois Power through power purchase agreements,
13 correct?

14 A Correct.

15 Q And those power purchase agreements were
16 not on the market, were they?

17 A They were negotiated with Dynegy with
18 bilateral negotiation and I assume by market price.

19 Q And they were arms length contracts?

20 A Arms length contract negotiations.

21 Q And you had several different types of
22 contracts that you negotiated for Illinois Power,

1 isn't that correct?

2 A There were two types of contracts
3 negotiated with Dynegy during the acquisition.
4 Subsequent to that we had gone out with RFPs for
5 additional power for Illinois Power.

6 Q And some of the contracts were, for
7 example, 14 megawatts of seven-day capacity and
8 energy, correct?

9 A That is correct.

10 Q And 300 megawatts of 5 by 16 peak power?

11 A Correct.

12 Q And I also have 203 megawatts from EEI that
13 had to be replaced. Did you replace that power?

14 A We issued an RFP. We have had responses.
15 We have not replaced it yet.

16 Q And in circumstances when FERC approval was
17 required, you obtained that FERC approval?

18 A Yes.

19 Q Does Ameren manage the PPAs for utilities?

20 A Yes.

21 Q And management means attaining supply for
22 them, correct, for them to use?

1 A That's part of what managing a PPA is.

2 Q And it is also negotiating the agreements
3 and insuring that there is no gap in service?

4 A When you say Ameren, I am including Ameren
5 Energy and the three utilities and Ameren Services.
6 So we, we should be specific.

7 Q So you are employed by Ameren Business
8 Services?

9 A I am employed by Ameren Services Company.

10 Q Ameren Services Company.

11 A To provide services to the Ameren utilities
12 and others as we have discussed. My job is to
13 arrange for long term power supply. And then Ameren
14 Energy for right now under this rate freeze is acting
15 as the fulfillment agent for AEM as it fulfills its
16 power supply arrangement. And there is another group
17 that is acting as the day-to-day fulfillment agent
18 for CILCO.

19 Q Can you describe fulfillment agent?

20 A It is a trading shop, energy traders, short
21 term spot market purchasers, etc. It is the daily
22 fulfillment of the demand minute by minute, hour by

1 hour, day by day of supply.

2 Q And that function is done by Ameren Energy
3 Marketing, is that correct?

4 A It is done by Ameren Energy and then I have
5 forgotten the name of the -- there is a trading shop
6 that used to be the CILCO trading shop that we
7 renamed and I have forgotten which entity. But that
8 daily fulfillment function is part of the generation
9 group, not the energy delivery group.

10 Q So the utility groups are not managing
11 their energy service?

12 A That's the point I was trying to make. My
13 job, Mr. Blessing's job, is to represent the three
14 Illinois utilities in their long term power needs.
15 And then until the rate freeze expires, we did have
16 our generation group doing the daily fulfillment
17 under those contracts. And things will have to
18 change at the expiration of the transition period.

19 Q So is it true then that the utilities have
20 delegated the energy supply responsibility to this
21 generating affiliate?

22 A The utilities are using Ameren Services as

1 a service provider. They are using Ameren Energy as
2 an agent and then the former CILCO trading shop as an
3 agent to administer those PPAs that are in place.

4 Q And Ameren Generating Company has a
5 separate corporate structure from the utilities,
6 correct?

7 A That is correct.

8 Q And a separate financial structure as well,
9 correct?

10 A Yes.

11 Q And the interests of that company is to
12 maximize the revenues for shareholders, is that
13 correct?

14 A I wouldn't say that was correct, no.

15 Q Why don't you correct me?

16 A Just from my general -- I am not in the
17 management of Ameren Energy Generating, but just
18 speaking as a financial guy, former financial
19 manager, they are trying to maximize return on equity
20 for their shareholders.

21 Q Okay. And they are acting as sellers, is
22 that correct?

1 A Correct.

2 Q And the utilities are acting as buyers?

3 A Correct.

4 Q But currently there is a rate freeze on, so
5 the rates that the utilities can charge the ultimate
6 buyer is controlled, right?

7 A Well, utilities are supplied entirely
8 through these power purchase agreements that have
9 fixed rates. So whenever their -- whatever their
10 energy usage is, that's what they pay to their power
11 suppliers, very similar to the arrangement we are
12 proposing.

13 Q Now, you said in your testimony that the
14 opponents of the auction are expecting you to attain
15 a low cost service, is that right? You said that in
16 your surrebuttal testimony?

17 A Yes, I think they are inferring that.

18 Q So you said you think they are inferring
19 that. So is that your testimony that they are
20 inferring that the utilities should attain low cost
21 or below market?

22 A Well, could we be specific and go to the

1 place in my testimony that you are referring to?

2 Q Page 8, line 175.

3 A Surrebuttal?

4 Q Yes.

5 A I thought you were addressing that one,
6 yes. As I read Mr. Steinhurst's and Mr. Reny's
7 testimony or doctor, I am not sure, I apologize if he
8 is a doctor, my conclusion of what they are hinting
9 at or were suggesting is that the Ameren utilities
10 should buy at below market prices. And I can give
11 you a couple of examples of where I think they said
12 that, if you would like.

13 Q I would like you to turn to Mr. Salgo's
14 testimony?

15 A Whose?

16 Q Salgo's?

17 A I wasn't thinking that. I was looking at
18 Steinhurst and Reny when I made that statement.

19 Q So it is your position that they have
20 implied that below market rates are possible?

21 A I think Witness Steinhurst even goes beyond
22 that and said --

1 Q I don't want to ask you about what Witness
2 Steinhurst said.

3 A I was referring to Steinhurst and Reny when
4 I wrote that.

5 Q And when you say market rates, was there
6 any particular market you were referring to?

7 A I was referring to the wholesale market in
8 which the Ameren companies provide power management.

9 Q But the Ameren companies aren't buying
10 their power and energy under your current proposal
11 from the existing wholesale market directly, correct?

12 A I don't think I would agree with that.

13 Q Okay. Is it your position that they will
14 be buying power directly from the existing wholesale
15 market?

16 A Yes. That's the only place a utility can
17 buy power.

18 Q But through the process of the auction,
19 correct?

20 A It is still through the wholesale market.
21 They are all wholesale suppliers that we buy from.

22 Q But you could -- the company could go

1 directly through the wholesale market and not use the
2 auction process, correct?

3 A We could use many mechanisms or three to
4 buy power but you are still buying power from the
5 wholesale market under any of those procurement
6 mechanisms.

7 Q Okay. Have you reviewed the wholesale
8 market in terms of 7 by 24 capacity?

9 A What do you mean by reviewed it?

10 Q Well, do you know what the market price is
11 for that product?

12 A I don't know right now. I have known that
13 at previous points in time when we have issued our
14 RFPs.

15 Q So you have been familiar with those prices
16 in the past?

17 A Correct.

18 Q And have you also been familiar with prices
19 for peak power?

20 A Yes.

21 Q And they are not -- I am sorry, they are
22 not the same, are they?

1 A At one given point in time those prices are
2 different.

3 Q And they are different from each other?

4 A That is correct.

5 Q And they are different over time?

6 A Correct.

7 Q And they are different based on the
8 duration of the contract?

9 A Correct. Normally --

10 Q There is not one market price, would you
11 agree with that?

12 A There is a market price for a particular
13 product, yes. But I don't agree at a particular
14 time. I think there is a market price for a
15 particular product at a particular point in time.

16 Q And there are many products in the market?

17 A That is correct.

18 Q Now, you said that Ameren will have no
19 discretion in purchasing if the auction model is
20 adopted, correct? You said it removes virtually all
21 discretion from the utility?

22 A For that approved auction it does. But, of

1 course, there is a review process where the
2 Commission and other stakeholders can provide input
3 after that auction before the next auction.

4 Q Is it your position that Ameren personnel
5 lack knowledge of the wholesale markets sufficient to
6 purchase from the market directly?

7 A No, not at all. Mr. Blessing and I did
8 have knowledge of the wholesale markets. It is my
9 position, thought, that the Ameren utilities,
10 AmerenCIPS, AmerenCILCO and AmerenIP, do not have the
11 generation expertise to do this moment-by-moment
12 market trading that would be required to run the
13 portfolio approach as I believe Mr. Steinhurst's
14 recommended. We have the expertise to buy long term
15 power in the market, but when we transferred our
16 generation facilities out of the three utilities, we
17 transferred that expertise for that daily
18 fulfillment, daily spot market sales, daily
19 fulfillment. We transferred the systems, procedures,
20 credit review. All that goes with running an energy
21 company has been transferred to the generation
22 facilities.

1 Q So it has been transferred to the producer
2 of the power?

3 A Correct.

4 Q So is it your position then that Ameren
5 personnel lack sufficient knowledge to purchase
6 electric service for bundled customers?

7 A I thought I just answered that. No, I
8 think Mr. Blessing and I and Mr. Peters have
9 sufficient knowledge to buy long term power, and
10 that's what we are proposing in this docket. We have
11 created a supplier forward contract through the
12 stakeholder process. We have used our attorneys. We
13 have used our many years of experience and have
14 crafted a product, and this process is the means
15 where we go to those wholesale markets and buy the
16 power.

17 Q Does Ameren personnel have knowledge of the
18 generation resources available to serve power
19 customers?

20 A We have general market knowledge. As I
21 tried to explain in my testimony and I tried to
22 answer earlier, we don't have specific knowledge of

1 other companies' operating costs.

2 Q Right, but you do know what other
3 generation facilities are available to serve your
4 customers, don't you?

5 A Yes, we have competitive intelligence as
6 others do identifying generation facilities in the
7 state, within MISO. We have -- MISO provides much
8 information about how much generation is deemed
9 deliverable to our control area. We understand that.
10 And I think we can identify the specific units from
11 the MISO data.

12 MS. SATTER: Okay, thank you.

13 JUDGE JONES: Mr. Rosen.

14 CROSS EXAMINATION

15 BY MR. ROSEN:

16 Q Mr. Nelson, my name is Larry Rosen. I
17 represent the Citizens Utility Board. In response to
18 the Assistant Attorney General's questions you talked
19 about three mechanisms to acquire the electricity
20 that you ultimately supply to your customers. What
21 were those three mechanisms?

22 A Three that came to my mind immediately is,

1 keep in mind that the Ameren utilities have statutory
2 obligations to supply power to their customers. One
3 way they can do that is just ride the spot market, by
4 on the spot market, short term market. MISO, part of
5 our membership in MISO allows us to do that. Of
6 course, our customers would be exposed to price
7 volatility. That is one option.

8 Another option, of course, is what we proposed
9 and that's defining a long term supply agreement, in
10 our case one, two, three-year contracts and using
11 this auction process to bring many generation
12 suppliers to the table to supply that load.

13 And, of course, another way to do it is to go
14 to that same wholesale market through requests for
15 proposal where we, the three utilities, would define
16 the product or products and do an RFP

17 Q Taking the first one where you would go out
18 and acquire electricity from the spot market.

19 MR. FLYNN: I am sorry, could Mr. Rosen move
20 closer to the microphone? This proceeding has aged
21 me quite a bit and I think my hearing is the first
22 symptom.

1 Q Let's take the first example, the one you
2 gave concerning going out and acquiring electricity
3 on the spot market. If you did that and then wanted
4 ti translate those into the prices that you charge
5 customers, what would you have to do next? Well, let
6 me be more specific, okay. If you went out onto the
7 spot market and acquired electricity and then
8 transferred those charges to the customers in one
9 form or another, would you have to get the ICC
10 approval after the fact to be able to charge those
11 rates to customers?

12 A Not necessarily.

13 Q All right.

14 A I would --

15 Q I am sorry, go ahead.

16 A I would think we would use the market value
17 tariff as one mechanism. It is clearly a product our
18 customers need and I have read that -- I am not an
19 attorney -- but as I have read these claimed words,
20 that is my definition of that. So, of course, right
21 now there is an index, but the statute refers to more
22 than an index. It would be contracts and one might

1 think this is the same thing as a contract, what you
2 have in MISO.

3 Q But if it does not fit that definition,
4 what would you have to do?

5 A If it did not fit that definition, I assume
6 there would be a rate case, either a forward-looking
7 test year or a past test year.

8 Q In that situation, would the methods you
9 use to obtain those prices be subject to some
10 regulatory review?

11 A Yes, it would.

12 Q And would it be subject to a prudence
13 review?

14 A I assume so.

15 Q And is that something you would like to do?

16 A It is something we will do if necessary,
17 but we think our proposal is superior for our
18 customers, for the Commission, for Commission staff
19 and for all stakeholders. I think it brings stable
20 prices to our customers and the most regulatory
21 review possible.

22 Q But if you do have to take your method of

1 acquiring electricity to the ICC for approval and
2 there is this prudency review, do you feel that you
3 are at risk of some sort during this prudence review?

4 A No, because we are taking our process to
5 the ICC and we are getting a prudence review of our
6 process right now.

7 Q I know that's what you want to sell to us,
8 but let's talk about the example I gave. You are in
9 the spot market and it is a situation where you have
10 to subject your method of acquiring that electricity
11 to regulatory review including a prudence review. Do
12 you feel under those circumstances you are at some
13 risk financially?

14 A No, I don't. If that's the method the
15 Commission has requested that we do or agreed that we
16 should do, then there shouldn't be any risk because
17 those are prudently incurred costs.

18 Q And if some of those costs are deemed not
19 to be prudently incurred, don't you have the risk
20 that you can't pass those costs on to the customers
21 in their rate?

22 A Well, obviously, yes.

1 Q Okay, all right. Then the other example
2 you gave was when you do requests for proposal, RFPs,
3 right?

4 A Correct.

5 Q And let's say you don't get pre-approval of
6 that process from the ICC. You get the charges
7 through the RFPs. Is that something also you will
8 have to have reviewed by the Illinois Commerce
9 Commission in order to charge ultimately the
10 customers for the costs of acquiring that power under
11 those circumstances?

12 A I am sure the ICC would like to review
13 results of those contracts and would consider
14 prudence in making their decision. They would let us
15 recover it in rates.

16 Q And, again, if the ICC finds that some of
17 those RFP costs weren't prudently incurred, you are
18 subject to the risk of not being able to pass all of
19 those costs on to those customers, is that correct?

20 A Yes. And by you, I assume you mean the
21 utility company and it is a risk for customers as
22 well. Because if a utility company is weakened, its

1 ability to buy power is weakened. It's credit rating
2 is lowered, and the next time it buys power, most
3 likely it will spend even more money.

4 Q In the auction process, however, if I
5 understand it correctly, the costs that your company
6 incurs to acquire electricity through the auction,
7 there would be no after-the-fact prudence review of
8 those specific costs, will there?

9 A I don't necessarily agree with that
10 statement.

11 Q Well, according to your testimony the only
12 circumstance -- one of the circumstances is that the
13 ICC may not approve the auction result and it is page
14 24 of your rebuttal, line 541. You state, "Whether
15 there is unambiguous evidence that the auction
16 outcome has been manipulated"?

17 A I am sorry, tell me again.

18 Q Page 24 of your rebuttal.

19 A Line 541. I am with you. Thank you. I
20 didn't say it solely there. Here on line 540, 539.

21 Q Start off at 538. I will read it to you,
22 okay. "In Deciding whether to issue a notice of

1 investigation of complaint, the ICC in consultation
2 with the ICC Staff will consider if the competitive
3 procurement has been conducted in accordance with the
4 proposed procurement process," right? That's one.
5 And, two, "Whether there was unambiguous evidence
6 that the auction outcome has been manipulated." Are
7 you there?

8 A I am there.

9 Q Now, you use the term "unambiguous
10 evidence". What did you mean by that?

11 A Staff -- what I was thinking of when I
12 wrote that is if Staff in its report or the auction
13 manager in its report, for instance, identified that
14 there were situations where bidders were fleeing or
15 bidders were putting in information they shouldn't be
16 privy to, that type of thing, and there was evidence
17 of that.

18 Q And what if there was ambiguous evidence
19 that the auction outcome has been manipulated? Under
20 your understanding of how the auction process works,
21 is that a circumstance where the Illinois Commerce
22 Commission could not approve the results of the

1 auction?

2 A I would expect the Staff and the auction
3 manager to point out any evidence, whether it was
4 unambiguous or ambiguous, as to how the auction was
5 conducted and the ICC would take that into its
6 consideration. Now, in your questioning you ignore
7 the end statement. That sentence doesn't just focus
8 on the unambiguous evidence. There is quite a few
9 words in front of that as well.

10 Q Well, but I want to know what you mean by
11 unambiguous evidence versus ambiguous evidence.
12 That's what I want to focus on. I read the rest of
13 your testimony but this is what I want to focus on.
14 In your opinion what would be the unambiguous
15 evidence that the auction outcome has been
16 manipulated?

17 A For example, hearsay.

18 Q What else?

19 A Nothing else comes to mind right now.

20 Q Okay. In your so many years of experience
21 acquiring electricity on behalf of your companies,
22 have you ever come across a situation you thought

1 that market prices were being manipulated?

2 A Not in RFPs or purchases or sales that I
3 have been involved in.

4 Q And how about under other circumstances?

5 A Well, of course, we have all read the
6 financial press about California and the accusations
7 there and the required refund by FERC. So maybe
8 there was manipulation, maybe there wasn't. I don't
9 know.

10 Q Let's talk about the required refund by
11 MERC. What do you know about those situations?

12 MR. TOWNSEND: FERC, FERC.

13 Q FERC. That's that I said, right? Well, I
14 meant FERC.

15 A I haven't followed it as closely the last
16 couple of years, but it is my understanding that FERC
17 has ordered some generation suppliers in California
18 to make refunds. But I don't remember which ones nor
19 how much.

20 Q If you were the auction manager, what would
21 you be looking for during the auction process to try
22 to determine whether there was unambiguous evidence

1 that the auction outcome had been manipulated?

2 A The first thing I would do is pull out the
3 auction rulebook that was submitted to this
4 Commission and pull out the MV tariff and look at
5 pages and pages of specific questions that we
6 proposed that the manager and Staff look at during
7 the prep session before the auction, the
8 informational section during the indicative bidding
9 process and the application one and two, there are
10 all sorts of questions dealing with that, and then
11 the questions that relate to what happens during the
12 auction. If I were the auction manager, I would
13 follow to the letter those rules and guidelines, and
14 they are many. And I would respond to those
15 questions honestly, forthrightly. And I think if
16 they are responded to, there will be clear evidence,
17 convincing and clear evidence, that the auction was
18 conducted in a competitive fashion, yes or no.

19 Q Well, as you understand the auction process
20 there is going to be a price set by the auction
21 manager, right? And then suppliers are going to
22 decide how much power they want to provide in

1 response to that price, correct?

2 A You missed one piece. There will be
3 indicative bids by suppliers and the manager will use
4 those indicative bids and his knowledge or her
5 knowledge of the market price, yes.

6 Q Well, putting those altogether, do you
7 believe based on your experience you will be able to
8 tell whether there is any manipulation of the markets
9 simply by the amount of power being supplied pursuant
10 to a particular price?

11 A I think there are safeguards in place that
12 protect against manipulation.

13 Q I didn't ask that question. I asked you do
14 you think based on your experience that you would be
15 able to determine whether anything was being
16 manipulative or any entity was being manipulative in
17 the market based on the amount of power they were
18 providing based on a market price?

19 A The amount of power they were providing
20 base on what?

21 Q Price.

22 A I am going to have to defer that question

1 to our auction witness.

2 Q Manager?

3 A Yes.

4 Q Based on your experience do you believe if
5 you were watching how the auction was taking place
6 that you could determine whether there was any
7 manipulation of the auction as a result of the
8 ticking down of the prices?

9 A Sir, I am not an auction expert. I think I
10 understand the basics, the framework of how it works.
11 I am not the witness to explain how the auction
12 process itself prevents price manipulation. We talk
13 about market mitigation measures in the wholesale
14 market, though.

15 Q Have you ever compared PJM prices with MISO
16 prices?

17 A From time to time.

18 Q And why did you make such a comparison?

19 A Curiosity.

20 Q And what did you discover?

21 A Sometimes they are higher, sometimes they
22 are lower.

1 Q When you say higher, you discovered that
2 sometimes MISO prices are higher than comparable
3 prices on PJM at any given moment?

4 A Usually -- I think usually PJM prices are
5 higher.

6 Q Are higher?

7 A But it depends on whether it is PJM classic
8 or PJM RES and it changes moment by moment.

9 Q Have you ever reached any conclusions why
10 you found that the PJM prices seem to be higher?

11 A No.

12 Q Do you have any opinion about that?

13 A Yes, in general, it's a result of market
14 conditions, supply and demand, weather, many, many
15 factors.

16 Q Now, your parent company is the Ameren
17 Corporation, isn't that correct?

18 A No, it is Ameren Corporation.

19 Q All right. Ameren Corporation. And Ameren
20 Corporation --

21 A You really don't emphasis the E-N, I am
22 sorry. It is Ameren.

1 Q Ameren Corporation?

2 A We paid people a lot of money to come up
3 with that name.

4 Q Did you get any of that money?

5 A No.

6 Q I certainly don't want to mispronounce it.

7 Now, Ameren Corporation also owns companies
8 that produce electricity, do they not

9 A Yes, they do.

10 Q And what are those companies?

11 A Union Electric, for instance, owns
12 generation and produces electricity. Ameren Energy
13 Generating Company as we discussed earlier today
14 produces electricity. And then there is a subsidiary
15 of CILCO, Ameren Energy Resources Generating.

16 Q Union Electric, their generation is created
17 by what source?

18 A A variety of sources.

19 Q What are those sources?

20 A Hydro, nuclear, coal, gas, that would be
21 it.

22 Q And what percent of the electricity that

1 they generate is produced by nuclear power?

2 A I don't know how to answer your question in
3 megawatt hours. In terms of megawatts the Calloway
4 generating facility is 1150 megawatts. The total
5 nuclear load is 8,000 some.

6 Q Of the four methods by which Union Electric
7 generates electricity, which is the -- which has the
8 best margin?

9 A That would be -- you have to be more
10 definitive in your question, sir. Margin by margin,
11 are you referring to that?

12 Q Margin by margin.

13 A I guess I would need your definition of
14 margin, though. Is margin net income? Is margin
15 production costs versus revenue?

16 Q Production costs versus revenue?

17 A I am sorry, can I have the question again?

18 Q Of the four forms that Union Electric uses
19 to produce electricity, hydro, nukes, gas and fossil
20 fuel, which has the lowest margin?

21 A I am sorry, I have to ask you to define
22 even further. I am not trying to be difficult. I am

1 just trying to understand the question. When you are
2 talking about production costs, are you talking about
3 marginal production costs or fixed and variable?

4 Q Marginal production costs.

5 A The lowest marginal cost at UE is the
6 nuclear plant.

7 Q And is that that plant in Clinton?

8 A No.

9 Q Where is that plant located?

10 A Calloway.

11 Q And how efficient is that plant running?

12 A It runs over 95 percent of the time.

13 Q Does that mean it is 95 percent efficient?

14 A I am sorry, you have to tell me your
15 definition of efficient.

16 Q I will accept 95 percent of the time. Now,
17 Ameren Energy Generating Company -- by the way, do
18 you expect Union Electric to participate in the
19 auction process?

20 A I wouldn't think that it would.

21 Q Would you expect Union Electric to supply--

22 A Sorry for interrupting you but it is

1 possible that it could.

2 Q And when you say could, in what form would
3 it do it?

4 A Well, it is not in the business of supply.
5 It's primary business is to supply its retail
6 customers but UE does have some wholesale contracts.
7 So it is not outside the realm of possibility, but I
8 think it is highly unlikely.

9 Q Would you expect them to supply electricity
10 to some of the bidders in the auction process?

11 A It would be indirectly because they are
12 selling into the MISO spot market and some of the
13 suppliers may be buying some of their energy to
14 fulfill their supply obligation.

15 Q Let's turn to Ameren Energy Generating
16 Energy Company. How does it produce its electricity?

17 A It has a fleet of coal units which is
18 supplemented with natural gas-fired peaking units.

19 Q Do you expect them to be a bidder in the
20 market under the auction process?

21 A I don't know for sure, but I don't think
22 they will bid directly. I think Ameren Energy

1 Marketing, if it chooses to bid, will be the bidder.

2 Q And when you say Ameren Marketing, does
3 that -- does Ameren Marketing have under its
4 corporate jurisdiction Union Electric, Ameren Energy
5 Generating Company in that part of CILCO that
6 produces that little amount of electricity?

7 A Ameren Energy Marketing is the unregulated
8 side of the business. So, no, it does not have UE's
9 supply in its portfolio. UE is a completely separate
10 company. But Ameren Energy Marketing does rely on
11 the generation assets in Ameren Energy Generating
12 Company.

13 Q So when it puts its bid together, are you
14 expecting that Union Electric, Ameren Energy
15 Generating Company and CILCO will be part of it
16 supply group?

17 A No, as I tried to explain, Union Electric
18 is not part of its supply group.

19 Q How about Ameren Energy?

20 A Ameren Energy is simply the energy trading
21 company that trades for Union Electric and Ameren
22 Energy Generating Company.

1 Q How about Ameren Energy Generating Company?
2 Would you expect them to be supplying power to any
3 bid that Ameren Marketing makes in the auction
4 process?

5 A I tried to answer that before; I will try
6 to answer it again. I am hoping as a buyer of power
7 for the three utilities that Ameren Energy Marketing
8 will bid. Part of its supply source is Ameren Energy
9 Generating Company, a major part of its supply
10 source.

11 Q That was what I was going to ask. What
12 percentage of Ameren Energy Generating Company would
13 you -- how much of the power in Ameren Marketing's
14 bid would you expect Ameren Energy Generating Company
15 to be?

16 A I don't know. AEM, Ameren Energy
17 Marketing, could choose to arrange its supply from
18 other marketing sources or supplement some from the
19 general realm and some from the market. I just don't
20 know.

21 Q Would you expect Ameren Marketing to
22 acquire any electricity needs in its bid from Exelon

1 Generation?

2 A Again, I don't know where it will get its
3 power from.

4 Q Do you have stock options with Ameren
5 Corporation?

6 A I do not have stock options. I previously
7 did have stock options.

8 Q What happened with those stock options?

9 A I exercised all my incentive stock options
10 last year. I am sorry, I will try to get my years
11 straight. I think it was last year or it was early
12 this year.

13 Q Did you keep the stock?

14 A No, I exercised them completely and cashed
15 them out.

16 Q Will you acquire any stock options in the
17 future?

18 A The long term incentive plan for Ameren
19 Corporation's officers has changed. Instead of using
20 incentive stock options which they discontinued three
21 or four years ago, now restricted stock is used.

22 Q And are you receiving or will be receiving

1 restricted stock of Ameren Corporation?

2 A I have for three years. I hope I get some
3 in future years.

4 Q And is the profitability of that stock also
5 connected in some ways to the generating companies
6 that Ameren Corporation has under its corporate
7 jurisdiction?

8 A Yes, it is connected in that shareholders
9 view the overall potential returns of Ameren in
10 valuing stock, yes.

11 Q And in your opinion are the Ameren
12 generating companies in whatever form going to be a
13 larger contributor to the profitability of Ameren
14 Corporation?

15 A Sorry, will they or are they?

16 Q Both. Will they and do you expect them to
17 be and are they now?

18 A Well, I really -- I did not review -- have
19 not reviewed the individual profitability of the
20 Ameren companies, the various -- I am sorry, the
21 Ameren subsidiaries. I have known that for some
22 time. I do know from the financial press investors

1 that they expect -- their reports are assuming that
2 the price of power resulting from the auction will be
3 higher than what our affiliates are receiving now.
4 And so there is some expectation of more
5 profitability. I don't know whether that will happen
6 or not, but that's what some investors are expecting.

7 Q Is that what you are expecting?

8 A I think -- to put this in context, CILCO,
9 CILCO's last bundled rate case was 1982. IP and CIPS
10 had their last bundled rate case in 1992. Since that
11 time CILCO and CIPS have reduced their rates by five
12 percent. IP has reduced its rates by 20 percent. So
13 when you move forward from 1982 to 2007, 1992 to '07,
14 25 or 15 years, one would expect that prices would go
15 up in that time period. So, yes, I am expecting some
16 increase.

17 Q At what point did Ameren consider using an
18 auction as a means of acquiring electricity?

19 A The first time that we began thinking about
20 an auction was February of 2004.

21 Q And what were the circumstances that led
22 Ameren to consider using an auction to acquire

1 electricity?

2 A That dates back to -- it dates back all the
3 way to the Customer Choice Act and then our
4 generation transfers. You know, obviously there was
5 an expiration date for those power supply agreements.
6 I remember for the last five years of having
7 conversations with Staff about how are we going to
8 replace that supply. Then in the CILCO and IP
9 orders, Ameren was ordered by the Commission to use a
10 competitive bid process to arrange for supply for
11 CILCO and IP when those contracts expired. Now, in
12 that context we approached Staff for the first time,
13 I believe, in December of 2003, and said we need to
14 get serious about this. They agreed fortunately. We
15 began researching procurement methods. We hired the
16 BRAMA (SP) group in February of 2004 and that's the
17 first time that I became interested in that type of
18 procurement method.

19 Q And during this time period were there any
20 conversations with anyone from Commonwealth Edison
21 about the auction process?

22 A I don't think that we talked to ComEd until

1 -- about procurement methods until -- the FCC had a
2 post-2006 symposium and Staff knew that Ameren was
3 researching how to buy power and they asked me to
4 present at that symposium. Right after that
5 presentation I remember ComEd employees approaching
6 me saying, hey, we have been researching the same
7 thing, let's talk.

8 Q When you went into that post-2006
9 initiative, did you go in with the idea that the
10 auction could be a means of attaining electricity?

11 A Yes, really. It was one of the models that
12 we thought worked well based on our research and by
13 my research.

14 Q So is it fair to say that before you even
15 began participating in the post-2006 committees
16 Ameren was a strong supporter of the auction process?

17 A Ameren was open to exploring alternatives.
18 We did believe at that time that the -- I am
19 searching for the right words -- our standard forward
20 contract type supply arrangement, whether it was
21 administered through an RFP process or an auction
22 prosecutes, was the right approach, that full

1 requirements contract. Now, by the time of the
2 symposium I personally was leaning toward the
3 auction. I believe I said that in front of the
4 participants.

5 Q Were you leaning toward the auction even
6 before you attended the committee meetings?

7 A No, in fact when I drafted that
8 presentation, we laid out two options. We liked the
9 full requirements supply as we are proposing but we
10 were still considering an RFP versus an auction
11 process.

12 Q At some point did you hire Dr. LaCasse?

13 A Yes, and I can't remember exactly but ComEd
14 and Ameren jointly hired Dr. LaCasse and in NERA to
15 help us design an auction process for this case.

16 JUDGE JONES: Mr. Rosen, how much more do you
17 have?

18 MR. ROSEN: Just about five more minutes.

19 Q And is it your recommendation that Dr.
20 LaCasse be appointed as the auction manager here?

21 A Yes, she has done excellent work and
22 understands the markets and auction process.

1 Q Have you looked into the possibility of
2 hiring someone else as an auction manager?

3 A We thought about it and talked about it,
4 but since we have modeled this after the New Jersey
5 process, adapting it where necessary for MISO and for
6 Illinois, it still looks a lot of like New Jersey.
7 And we have looked at the success of the New Jersey
8 auctions. We have heard what the commissioners have
9 said about the results of the New Jersey auctions,
10 and we think she is the best choice although we have
11 not entered into a contract with her.

12 Q Have you ever used any other NERA
13 consultants?

14 A I have not. I don't know whether Ameren
15 has any consulting relationship with NERA. Not that
16 I am aware of but it is possible.

17 Q Now, just to touch on my last area, let's
18 talk about the auction takes place and there is a
19 supplier default and you have to go out and acquire
20 electricity either on the spot market or through a
21 bilateral contract. Under those circumstances would
22 the rate that you would pass on to customers be

1 subject to traditional regulatory review?

2 A I think the answer -- well, I am struggling
3 on how to answer that question, sir, I am. I would
4 view this process as traditional regulatory review
5 within that broad framework. Now, Staff witness
6 Schlaf, Dr. Schlaf, has said two things about our
7 contingency supply or said one thing in particular
8 that if the cause of the default was from the Ameren
9 companies, then Ameren would be subject to a prudence
10 review and we have agreed with that, his contention
11 there. We have also agreed to notify the Commission
12 about defaults and the cause of defaults and the
13 course of action, that type of thing.

14 Q And what if it isn't Ameren's fault? Then
15 what happens?

16 A We have hard-coated the rules, and
17 Mr. Blessing can more fully explain those, but what
18 happens and what we proposed in this proceeding,
19 obviously at the moment of the default we will rely
20 on the MISO spot market. That happens just because
21 the electricity flows. And as I tried to explain
22 earlier, if the remaining term of that defaulting

1 contract is more than 90 days, we will immediately
2 kick off an RFP process and I would think that we
3 would already have, just to be safe, we will already
4 have the contract prepared. It is just the same
5 contract, just different terms. And I think we would
6 already have the administrator hired and ready so we
7 would be able to send out our RFPs to the market
8 including all auction participants immediately,
9 within days.

10 Q Would you expect the RFP price to provide
11 the replacement to be the same as the auction price?

12 A I don't know whether it would be the same
13 or not. Coincidentally it could. I would expect it
14 would be a different -- even if all conditions remain
15 the same, I would expect it to be a different price,
16 I guess, because the term would be different.

17 Q And if it is not Ameren's fault and you use
18 the RFP process, then as I understand this agreement,
19 that price that ultimately is passed on to the
20 customer won't be subject to a prudence review, would
21 it?

22 A I have to answer that yes and no. It is

1 being subject to -- I think what the Commission is
2 doing in this proceeding does heavily relate to its
3 prudence review.

4 Q Would you try to answer my question? I can
5 get done quicker because I don't have time.

6 A I am not trying to be troublesome.

7 Q I know, I know. If there is no Ameren
8 default and you use the RFP process to acquire
9 electric because a buyer defaults, would that price
10 attained under that RFP be subject to a prudence
11 review by the Illinois Commerce Commission? And I
12 should say after the fact.

13 A After the fact, no. I would agree it is no
14 subject to an after-the-fact prudence review.

15 Q Now, let's take a situation where in the
16 auction process the amount of power bid in is not
17 enough, for whatever reason. What contingency plan
18 is in place to acquire the amount of electricity that
19 you need if the auction for whatever reason is
20 under-subscribed?

21 A And again Mr. Blessing can more fully
22 answer this question. I can give you a topside

1 answer. We would look first to the auction manager
2 and ICC Staff to find out what went wrong in the
3 auction, whether it was fixable or not. It could be
4 something as simple as a term in the supplier forward
5 contract that the suppliers hate. So we would
6 consider fixing that particular problem and redoing
7 the auction. That would be one course of action.

8 Q What's another course of action?

9 A Another course of action would be to, as I
10 talked about, buy power from the MISO market and
11 again it's the same three alternatives. Another
12 course of action is to go to that same wholesale
13 market with an RFP, and the same group of suppliers.

14 Q And let's take that third option where you
15 have to acquire the electricity through the use of an
16 RFP. Is it Ameren's position that those prices would
17 not be subject to an after-the-fact prudence review?

18 A Yes.

19 Q When did you reach this agreement with ICC
20 Staff?

21 A Please be specific, which agreement?

22 Q Well, there was a stipulation that was

1 introduced yesterday with ComEd that sort of reflects
2 what your testimony is today concerning replacing
3 electricity. Have you seen that stipulation?

4 MR. FEELEY: Objection, he is referring to the
5 document, the ComEd document. That's different than
6 Dr. Schlaf's testimony in the Ameren docket. If he
7 want to refer to Dr. Schlaf's testimony in the Ameren
8 docket, I think that's what he should do. But he
9 shouldn't confuse the two cases.

10 MR. ROSEN: Well, his testimony seems to
11 suggest that they have reached the very same
12 agreement that the stipulation reflects and they have
13 reached an agreement with ICC Staff as to what he
14 just discussed, and I am certainly entitled to know
15 about it, whether it is reflected in the document or
16 whether it is just an agreement that they have in
17 principle or orally.

18 MR. FEELEY: I think if he looks at the
19 testimony, he will see what they have agreed to.

20 MR. FLYNN: Judge, to my knowledge there is no
21 agreement. Counsel is free to explore this but if
22 there was testimony, there was testimony back that I

1 am not aware of. And I am not trying to cut
2 Mr. Rosen off. I am trying to help us along here. I
3 don't think there is a document or a conversation.
4 There is simply testimony exchanged. The witness can
5 correct me if I am incorrect on that.

6 MR. ROSEN:

7 Q Does Mr. Flynn have his facts wrong?

8 A He has his facts right with one exception.

9 Q Didn't he ever tell you you were never
10 supposed to do that?

11 A We did have, and I forget which round of
12 testimony, but after Dr. Schlaf submitted his
13 testimony there were discussions about testimony,
14 information or discussions about what they meant,
15 what they wanted, that type of thing.

16 Q All right. The first time that you were
17 aware that ComEd and the ICC Staff had reached this
18 agreement on those issues was when? When you heard
19 Mr. Schlaf's testimony?

20 A I can't pinpoint the time but, again, as I
21 said, I offered testimony, Dr. Schlaf offered
22 testimony. We met and discussed, and as a result of

1 that discussion and then internal discussions in our
2 company we revised our testimony to accept his
3 proposal.

4 Q When you said we met, when did this meeting
5 take place?

6 A I can't remember whether it was after
7 Staff's -- probably after Staff's direct.

8 Q So that would have been yesterday afternoon
9 or evening?

10 A No, no, this was seems like months ago.

11 Q Oh, I see. When you say testimony, you are
12 talking about the written testimony versus the cross
13 examination that took place yesterday?

14 A Yes.

15 Q I am sorry. Well, was your
16 understanding --

17 A I am sorry for interrupting but I think
18 Staff filed an open meeting filing after our meeting,
19 too. I am sure they did.

20 Q Was there a document that now reflects what
21 your understanding and ICC Staff's understanding is
22 concerning what takes place after either a supplier

1 default or if Ameren has to acquire electricity
2 outside the auction process even if the auction takes
3 place?

4 A My testimony is one of those documents and
5 you can ask Mr. Blessing but I think it is reflected
6 in other documents as well.

7 Q If the ICC --

8 JUDGE JONES: How much more do you have, Mr.
9 Rosen?

10 MR. ROSEN: One question.

11 Q If the ICC doesn't adopt a proposal subject
12 to the changes that we just discussed, would Ameren
13 still be willing to go ahead with the auction?

14 A I don't know. We would -- it would depend
15 on all the fact and circumstances and what the
16 Commission said.

17 Q All right. Maybe I didn't ask that
18 question precisely right. If I didn't, I apologize.
19 If the Illinois Commerce Commission doesn't accept
20 the no prudence review of acquiring electricity in
21 the event of a buyer default, buyer or seller's
22 default, or if the auction for some reason is

1 under-subscribed with respect to power, would Ameren
2 still go ahead with the action process?

3 A I don't know. It would depend upon what
4 was in the Commission order.

5 MR. ROSEN: I am done.

6 JUDGE JONES: Thank you.

7 MR. FLYNN: Would it be appropriate to take a
8 short break at this time? I wouldn't object to one
9 personally.

10 JUDGE JONES: Take a five-minute break.

11 (Whereupon the hearing
12 was in a short recess.)

13 JUDGE JONES: Back on the record.

14 Mr. Robertson?

15 MS. SATTER: He stepped out.

16 JUDGE JONES: Somebody entered on cue but it
17 wasn't Mr. Robertson. Mr. Townsend?

18 CROSS EXAMINATION

19 BY MR. TOWNSEND:

20 Q Good morning, Mr. Nelson.

21 A Good morning.

22 Q Chris Townsend appearing on behalf of the

1 Coalition of Energy Suppliers. Would you agree that
2 as a part of the restructuring of the Illinois power
3 industry that the Consumer Choice Law directed the
4 Commission to promote competition in the wholesale
5 and retail markets?

6 A I think it directly directed the Commission
7 to promote any retail. I am not sure about
8 wholesale. But indirectly clearly there was a
9 direction to promote competition.

10 Q Would you agree that the Ameren utilities
11 will not collect customer transition charges after
12 December 31, 2006?

13 A Correct.

14 Q Would you agree that even following this
15 proceeding the Commission should work to promote the
16 development of retail competition?

17 A Yes.

18 Q Would you agree that restructuring of the
19 electric power industry in Illinois is an ongoing
20 process rather than an event?

21 A Yes.

22 Q If you would turn your attention to lines

1 173 to 177 of your direct testimony, let me know when
2 you are there.

3 A I am there.

4 Q You testified that it is expected that
5 customer switching will increase following the end of
6 the transition period, correct?

7 A I don't know if I necessarily testify to
8 that, but I do believe that is correct.

9 Q Why do you believe that is correct?

10 A Well, as I explained earlier, it is my
11 expectation that -- again I can't predict power
12 prices -- but it is my expectation that after a
13 period of 15 or 25 years of frozen rates that power
14 prices may be higher than they are now embedded in
15 those power supply agreements. And if they are
16 higher, assuming for a moment that they are higher,
17 that will restate the utility's rates at market price
18 and ARES and RES will be able to compete more
19 effectively against those market prices, market level
20 prices.

21 Q Would you also expect that customer
22 switching would increase because the wholesale market

1 structure has evolved substantially?

2 A Possibly. I don't know for sure.

3 Q Or would you agree that the introduction of
4 the MISO market significantly increases the number of
5 competitive options available? And I direct your
6 attention to your direct testimony, lines 208 to 245.

7 A I think the introduction of the MISO market
8 gives suppliers more option as to where to arrange a
9 supply, whether it goes to wholesale suppliers or
10 retail suppliers. So it is more flexibility for
11 choices to attain their supply. It is a good thing.

12 Q And it is a good thing for utilities and
13 for RESes, correct?

14 A Yes, and for retail customers.

15 Q Would you agree that likewise the
16 elimination of the MISO/PJM seams should further
17 increase the competitive procurement options
18 available to utilities and RESes?

19 A It should help do that, yes.

20 Q You indicate at lines 186 to 188 that the
21 power supply obligations of the Ameren utilities are
22 expected to be reduced further after the transition

1 period, correct?

2 A Yes, I do.

3 Q Why do you think that the supplier of last
4 resort obligations will be further reduced after the
5 transition period?

6 A For the reasons I gave you just a couple of
7 questions ago, the same reason, that utilities' rates
8 will be set at a level that reflects our costs which
9 reflects the market price, and the ARES should be
10 able to compete against that, that level.

11 Q Would you agree that reducing Ameren's
12 supplier of last resort obligations is a desirable
13 result?

14 A I won't agree necessarily -- we still have
15 the same supplier of last resort obligation. It is
16 just a matter of how much obligation there is. Now,
17 is your question, is it good that that amount goes
18 down?

19 Q That's correct. Is it good that that
20 amount would go down?

21 A I don't know if it is necessarily good or
22 bad. But it is nice that the customers have options

1 to choose. That's a good thing.

2 Q And you believe that those options are
3 going to increase in the future based upon the
4 developments, based in part at least upon the
5 developments in the wholesale electric market?

6 A I think the developments in the wholesale
7 -- I don't think there is a direct yes or no answer.
8 As I said, I think the developments in the wholesale
9 market will enhance competition, have enhanced
10 competition, both in the wholesale and retail
11 markets.

12 Q And will continue to as those continue to
13 evolve, correct?

14 A Yes, it is going to get better, I think, as
15 Dr. McNamara has explained.

16 Q At lines 180 to 184 you share some
17 statistics regarding the rate of switching among
18 customers in the service areas of the Ameren
19 utilities, correct?

20 A Correct.

21 Q Are those figures a fair representation of
22 the level of current switching among customers in the

1 Ameren utilities service areas?

2 A I do not know. I did not refresh these
3 numbers.

4 Q Would you agree that past switching
5 behavior is indicative but not determinative of
6 future switching behavior?

7 A In general, yes.

8 Q Now, you include a footnote at line 184
9 that discusses customers switching to the PPO,
10 correct?

11 A Correct.

12 Q Why is it important for the Commission to
13 note that in the context of these switching
14 statistics?

15 A I have to go look at the website again but
16 I think the switching statistics denote whether
17 customers switch to an alternative supplier or to the
18 PPO. One is another supplier obviously and the PPO
19 is obviously utility supply. It is good information
20 for the Commission to have.

21 Q Again, is that indicative of the
22 competitive market working?

1 A I am sorry, sir, is what indicative?

2 Q The PPO switching statistics that you have
3 referenced here, is that evidence of the competitive
4 market working?

5 A It could be if there is an ARES or a RES
6 that is providing that between the utility and the
7 customer, pointing the customer to the PPO. If the
8 customer elects that on its own, it is just evidence
9 the Customer Choice Act is working.

10 Q I would like you to turn your attention to
11 lines 360 to 363 of your direct testimony. Let me
12 know when you are there.

13 A I am there.

14 Q At line 360 you say that you hope to
15 receive regulatory approval no later than January
16 2006. Is that still the case?

17 A Yes, it is.

18 Q And you indicate that an order in January
19 would provide sufficient time for the auction manager
20 to prepare for the auction, is that right?

21 A Correct.

22 Q And you suggest that the first auction

1 should occur in May of 2006, correct?

2 A Correct.

3 Q Now, in your rebuttal testimony at lines
4 304 to 347 you explain that the Ameren companies have
5 revised their proposal and advocate a September 2006
6 date for the initial auction, correct?

7 A That is correct.

8 Q You do not address this issue of auction
9 timing in your surrebuttal testimony, do you?

10 A Not that I can remember, sir.

11 Q Can you confirm for me that at no place in
12 any of your testimony do you testify that there are
13 any technical or systems reasons why the auction
14 could not occur in May?

15 A I am not sure whether I discuss that in my
16 testimony. I do understand that there are technical
17 requirements that need to be met between January and
18 May, and it is a tight time frame. That is one
19 reason that we decided to go to September.

20 Q But you believed as of your direct
21 testimony that you did have sufficient time to
22 implement that as of May, correct?

1 A We knew it was tight. But weighing the
2 pros and cons of the various dates we were advocating
3 May at that point in time.

4 Q And, likewise, can you confirm for me that
5 at no place in your testimony do you testify that
6 there are technical or systems reasons that the
7 auction could not occur in July?

8 A I don't know of any.

9 Q Now, as you sit here today you don't know
10 of any system or technical reasons why the auction
11 could not occur in July, is that what you are
12 testifying?

13 A I am doing some math in my head. Yes, as I
14 understand it from talking to Dr. LaCasse, we need
15 six months from the Commission order to auction date
16 to really do it right and that would give us the six
17 months.

18 Q At lines 365 to 367 -- hold on just one
19 moment and I will get you a line number. Perhaps --
20 actually this is in your rebuttal testimony at 305 to
21 307. Are you there?

22 A Yes, I am.

1 Q You indicate that Ameren wants to hold the
2 auction at a time that will attract the highest
3 number of suppliers, correct?

4 A Correct.

5 Q Was that your intention when you initially
6 testified in favor of the May auction?

7 A Yes, it was.

8 Q So at some point you believed that the May
9 auction would attract the highest number of
10 suppliers?

11 A I did at that time, yes.

12 Q Have you presented any quantitative
13 analysis regarding the number of suppliers that would
14 participate in the auction in May versus September
15 versus July of 2006?

16 A No.

17 Q Has anyone presented such an analysis?

18 A No.

19 Q You say that the maximum number of
20 suppliers should yield the lowest price for
21 customers, correct?

22 A I am not sure I said that.

1 Q Well, I am sorry, again looking at 305 to
2 307 you say that it will attract the maximum number
3 of potential suppliers and therefore the lowest price
4 for their customers?

5 A Thank you.

6 Q Okay. So it is your testimony that
7 maximizing the number of suppliers should yield the
8 lowest price for customers, correct?

9 A I said it would help us insure that we get
10 the lowest price, the market price, yes.

11 Q Why will the number of suppliers impact the
12 price?

13 A It may not impact the price. But it gives
14 us, I think, all a great deal more of comfort if
15 there are many suppliers bidding in an auction than a
16 few suppliers. Part of what I have done and my Staff
17 over this last year or so is to actually go out and
18 talk to suppliers, get their input on May versus
19 September, get their input on the supplier forward
20 contract, meet with them and try to get that maximum
21 number of suppliers there so we can insure a
22 competitive price.

1 Q So is it your testimony now that increasing
2 the number of suppliers will not impact the price?

3 A No. I don't know whether it will or not.
4 I am hoping that increasing the number of suppliers
5 will insure that we have that competitive market
6 price, insure that we get that lowest possible price.

7 Q Would you agree that the same principle
8 applies at retail?

9 A I am not an expert in the retail market.
10 It sounds reasonable.

11 Q So you would think that Ameren should try
12 to maximize the number of retail electric suppliers
13 in order to yield the lowest price in the retail
14 electric market?

15 A No, I wouldn't. I don't think that's
16 Ameren's obligation.

17 Q If Ameren were to increase the number of
18 retail electric suppliers, it would assist in
19 yielding the lowest price in the retail market
20 according to your analysis, right?

21 A I don't know how Ameren would increase the
22 number of retail suppliers. Ameren has one retail

1 supplier. I don't know how it can have more than
2 that. I guess conceivably it could, but.

3 Q And if it were to encourage the number of
4 retail electric suppliers, you would think that that
5 would tend to yield a lower price in the retail
6 market, correct?

7 A In general. I think that the more
8 suppliers, the better to insure that competitive
9 price.

10 Q Would you agree that a longer enrollment
11 window would give customers in the Ameren service
12 territories more time to find alternatives to Ameren?

13 A Possibly.

14 Q At lines 307 to 308 of your rebuttal
15 testimony you say that in your deciding on the May
16 2006 auction date that the Ameren companies
17 considered a number of factors including, quote, a
18 desire to avoid the more volatile summer and winter
19 months, unquote, correct?

20 A Correct.

21 Q So you believe that September is a more
22 volatile month than May?

1 A I listed a number of factors that went into
2 our decision.

3 Q I am sorry, and I am asking just about that
4 one. Do you believe that September is a more
5 volatile month than May?

6 A Normally, September is considered a
7 shoulder summer month or a summer month. It may be
8 more volatile but it is not as volatile as, say, July
9 or August typically.

10 Q Now, when you say that are you basing that
11 upon a specific study that was presented in the
12 record of this case --

13 A No, I am basing it upon my years of
14 experience in this business, watching spot prices and
15 future prices in the wholesale market, and I am
16 thinking particularly of 1998 and 1999 where spot
17 prices rose to 8, \$900,000 a megawatt hour. It is
18 Ameren's desire to avoid July, August months where we
19 have seen prices rise to that level.

20 Q And at lines 340, 341 you suggest there is
21 a greater likelihood of price volatility in July
22 rather than in May or September, right?

1 A Correct.

2 Q Now, here you were talking about the hourly
3 market or the day ahead market?

4 A On which line are you referring to?

5 Q Line 340 to 341.

6 A I was thinking as I wrote this about the
7 hourly market.

8 Q You were not talking about volatility in
9 the long term forward contracts, were you?

10 A Correct.

11 Q There has been a study presented with
12 regards to the volatility of forward contracts, long
13 term forward contracts, hasn't there, in the evidence
14 in this case? Let me ask you specifically, do you
15 recall reviewing the rebuttal testimony of Coalition
16 of Energy Supplier witnesses Bollinger and Bohorquez,
17 CES Exhibit 5.0 at lines 280 to 340, where they
18 presented an empirical analysis of the volatility of
19 forward contracts?

20 A No.

21 Q Did you just not read other parties'
22 rebuttal testimony?

1 A I read many other parties. I did not
2 happen to read those.

3 Q So as far as you know there is no study in
4 the evidence of this record -- I am sorry, there is
5 no study in the record with regards to volatility of
6 forward contracts of a year or longer?

7 A Well, you have just told me there is a
8 study, so obviously I know it.

9 Q Well, but this is the first that you have
10 heard?

11 A What I said was that I have not read their
12 testimony.

13 Q Nobody told you about it either?

14 A No, I believe there are summaries of
15 witnesses' testimony that I have skimmed through or
16 read. So it is not the first time that I have heard
17 of it. But I did not read their testimonies.

18 Q Oh, so you were aware that they presented
19 that analysis; you just hadn't personally read the
20 analysis?

21 A Correct.

22 Q And you didn't present any contrary

1 analysis in your surrebuttal testimony, did you?

2 A I did not print any quantitative analysis.
3 I did present a discussion about the reasons we chose
4 May versus the reasons we chose September.

5 Q Yeah, I am sorry, I am referring to the
6 rebuttal testimony of the Coalition witnesses that
7 you read the summary of. Did you present any
8 response at all to their study in your surrebuttal
9 testimony?

10 A No, I did not.

11 Q No quantitative or qualitative analysis of
12 that in your surrebuttal testimony, correct?

13 A That's correct.

14 Q And when you talked about the volatility in
15 your rebuttal testimony, you didn't present a
16 specific quantitative study with regard to
17 volatility, did you?

18 MR. FLYNN: Asked and answered.

19 JUDGE JONES: Response?

20 MR. TOWNSEND: I sure didn't mean to if I did.
21 I didn't think I had asked that question.

22 JUDGE JONES: Also that is really not a

1 response on the merits, I guess, to the objection so
2 the objection is sustained.

3 MR. TOWNSEND: I didn't mean to. My apologies.

4 Q At lines 309 to 310 you say that in
5 deciding on the May 2006 auction date the Ameren
6 companies considered the proximity of the auction
7 date to the delivery period, correct?

8 A Correct.

9 Q So you believe that a May auction date was
10 close enough in proximity to the delivery period,
11 correct?

12 A At that point in time, yes.

13 Q And a July auction date?

14 A Is even closer, yes.

15 Q And finally you say that you base the May
16 2006 date upon input from suppliers, correct?

17 A Correct.

18 Q Wholesale suppliers?

19 A Correct.

20 Q So wholesale suppliers told you that they
21 prefer a May 2006 auction date to a September auction
22 date, right?

1 A Two of them did.

2 Q You don't present any quantitative analysis
3 of additional suppliers telling you otherwise, do
4 you?

5 A No, but other suppliers did tell me
6 September was better, many other suppliers.

7 MR. TOWNSEND: Move to strike everything after
8 the word "no".

9 JUDGE JONES: Granted.

10 BY MR. TOWNSEND:

11 Q What reasons did the wholesale suppliers
12 give you for preferring a May 2006 auction date?

13 A As I explained to who I talked to earlier
14 today, I talked to many suppliers, I and my Staff,
15 trying to educate them about the auction process and
16 the supplier forward contract. One of the things we
17 talked about is when to have the auction in these
18 conversations.

19 Q Right. And my question is specifically
20 what reasons did they give you in those conversations
21 for preferring the May 2006 auction date?

22 A The two that expressed the desire for that

1 date were two that did not want to wait around. And
2 the context of this was that there were supplier
3 meetings and there were many suppliers advocating a
4 September date in the context of that the supplier --

5 Q Who --

6 JUDGE JONES: Let him finish his answer. If
7 you need to move to strike, so be it.

8 A In the context of that discussion two of
9 the suppliers who would have generation in or near
10 Ameren suggested they really didn't want to wait
11 around until September to find a home for their
12 generation. They would much prefer to do it in May.
13 Now, we, the Ameren utilities looking to the best
14 interest of our customers want to have a lot of
15 supply bid into the auction. And given that we at
16 that point in time went with May.

17 MR. TOWNSEND: Your Honor, I move to strike the
18 beginning of that answer up to the point where he
19 began "suppliers suggested," and then I also move to
20 strike the end of that answer where he says it begins
21 with "We the Ameren companies."

22 JUDGE JONES: We can spend a lot of time on

1 this. The question and answer are stricken. You can
2 re-ask the question. We will go from there.

3 MR. TOWNSEND: Thank you, Your Honor.

4 Q What reasons did the wholesale suppliers
5 that you spoke with give for preferring a May 2006
6 auction date?

7 A They did not want to wait around til
8 September to find a home for their generation.

9 Q Did Ameren consider that a May 2006 date
10 for the initial auction would provide an additional
11 time for customers to assess their options prior to
12 the mandatory transition period?

13 A We thought about that, yes.

14 Q Would you agree that the rate options
15 offered to customers in the Ameren service
16 territories will change significantly after January
17 1, 2006?

18 A As I discuss, I think, it is my guess that
19 prices will change. I know we are not offering the
20 same identical bundled rates. In some cases it is
21 similar, some cases it is not. Mr. Mill will be a
22 better one to answer that question.

1 Q You would agree that the rate structures
2 will change significantly after January 1, 2006, for
3 a substantial number of customers in the Ameren
4 service areas, correct?

5 A I know it is changing. I don't know
6 whether it is substantial. I don't know what
7 percentage it is changing for and not changing for.
8 I don't know.

9 MR. FLYNN: Can you clarify that your question
10 meant to reference January 1, 2007? You said 2006.

11 MR. TOWNSEND: I did say 2006. I appreciate
12 that. For the record I meant 2007.

13 Q Did you understand my questions to be about
14 2007?

15 A Yes, sir.

16 Q Thank you, much appreciated. Did you also
17 consider that a May 2006 initial auction date would
18 allow for the auction to be delayed until September
19 if there were unexpected implementation problems?

20 A I believe we talked about that as well,
21 yes.

22 Q And if there are unexpected implementation

1 problems that arise in September, when would the
2 auction be held?

3 A It could be held a week later, it could be
4 held a month later, as long as there is time to
5 complete the auction, complete the two-day review,
6 sign the supplier forward contracts. It could be
7 held even up to December, I guess.

8 Q That certainly wouldn't be ideal, would it?

9 A Ideal from what perspective?

10 Q From the company's perspective. Would it
11 be ideal to have all of that occur in December for a
12 January 1 start date?

13 A No, we would prefer to have it settled
14 prior to December.

15 Q Much prior to December?

16 A I would prefer to have it settled in
17 September. In fact, we have advocated that we get
18 this settled -- start the auction the first ten days
19 of September.

20 Q Did Ameren also consider that wholesale
21 electricity prices appear to be tied to natural gas
22 prices and that natural gas prices historically

1 increase in the fall?

2 A Ameren does understand that times, times of
3 day and certain seasons, there is a correlation
4 between natural gas price and electric prices. But
5 at other times and other seasons there is not as much
6 of a correlation.

7 Q Was that one of the considerations, though,
8 when you were thinking about May, was that there
9 might be a tie to the natural gas prices and that
10 natural gas prices increase in the fall?

11 A I don't think, no, I don't think we were
12 considering the level of natural gas prices when we
13 picked the date. Because we didn't think it would be
14 an important consideration looking forward one, two
15 and three years.

16 Q At lines 340 to 341 you suggest there is a
17 greater likelihood of a supply shortage in July
18 rather than in May or September, is that correct?

19 A Yes.

20 Q Are you suggesting that there would be a
21 risk of a supply shortage in July for those one, two
22 or three-year contracts?

1 A No, I am simply stating the fact in my
2 testimony that, historic fact, that July or August,
3 typically July, is the peak period. The record peak
4 demands for the year is set, at least in the Ameren
5 control areas. And by definition at time of peak
6 that's where you have the greatest likelihood of a
7 shortage in supply.

8 Q You didn't mean to suggest that the market
9 would be plumb out of electricity, did you?

10 A It is possible that the market could be out
11 of electricity if there were many outages, and that's
12 the most likely time that it would occur because
13 demand is at its peak. That's all I am suggesting.

14 Q When was the last time that Ameren was
15 unable to buy a megawatt hour of electricity?

16 A As far as I know we have always been able
17 to buy and sell electricity. My point was simply why
18 have the auction at a time when there is the greatest
19 chance that there is a shortage. That's the point.

20 Q But you didn't present any quantitative
21 analysis regarding the existence of this chance, did
22 you?

1 A Correct.

2 Q And you didn't present any quantitative
3 analysis regarding the amount that this chance would
4 increase, do you?

5 A Correct.

6 Q Would you agree that it is important for
7 Ameren's customers to receive communications
8 regarding the way in which their rate options are
9 going to change?

10 A Yes.

11 Q Would you agree that it is important for
12 Ameren's customers to receive communications
13 regarding the way in which their rate structures are
14 going to change?

15 A Yes.

16 Q Do you know whether Ameren has begun
17 preparing the material it intends to distribute to
18 customers regarding the way in which their rate
19 options and rate structures are going to change after
20 the transition period?

21 A No, I don't. Mr. Miller and Mr. Cooper
22 could answer that question.

1 Q Do you know whether Ameren has met with
2 Commission Staff or other interested parties to
3 discuss the form or substance of the message that
4 would contain it?

5 A No.

6 Q I am sorry, no, you don't know or, no, you
7 have not met?

8 A You asked me if I know and I said, no, I
9 don't know. And I don't know whether it has occurred
10 either. So I am answering both questions. I don't
11 know if it has occurred at all.

12 Q You just don't know?

13 A I haven't had any conversation or made any
14 observation about that meeting taking place.

15 Q And again Mr. Mill would be the appropriate
16 person to ask about that?

17 A Or Mr. Cooper. I am not sure which.

18 Q Do you know whether Ameren intends to have
19 those types of meetings with the Commission Staff or
20 other interested parties?

21 A If we keep with our track record, we will.

22 Q How will people know about those?

1 A I don't know.

2 Q Would you agree to notify the parties to
3 this proceeding about the meetings about those
4 materials?

5 A Mr. Mill is the one that typically
6 coordinates that. I will let him respond to that
7 question.

8 MR. TOWNSEND: No further questions, Your
9 Honor.

10 JUDGE JONES: Thank you, Mr. Townsend.
11 Mr. Robertson or Mr. Reddick, as the case may be?

12 CROSS EXAMINATION

13 BY MR. ROBERTSON:

14 Q Good morning, Mr. Nelson. My name is Eric
15 Robertson. I represent the Illinois Industrial
16 Energy Consumers and I would like to ask you about a
17 portion of your direct testimony, Ameren Exhibit --
18 or Respondent's Exhibit 2.0 at page 5, lines 104 to
19 124.

20 A I am there.

21 Q Now, at that portion of your testimony you
22 direct -- or I am sorry, you list a number of

1 dramatic and positive changes that have occurred in
2 the industry that are referenced by the Illinois
3 Commerce Commission. Do you agree with the
4 Commission that these are dramatic and positive
5 changes?

6 A Yes.

7 Q Now, referring to the third bulletpoint
8 that begins on line 111. Could you explain to me why
9 it would be important for industrial and commercial
10 customers to keep their businesses in Illinois,
11 rather than moving to a lower cost state?

12 A It is important to the state as it
13 generates jobs, generates tax dollars. It is
14 important to the delivery service company from our
15 perspective. Obviously, having customers and
16 generating kwh is a good thing.

17 Q Now, in addition to lower costs, are there
18 other aspects of electric service that can help
19 contribute to the important benefit of keeping
20 industrial and commercial customers in business in
21 Illinois?

22 A Sorry, other than what did you say?

1 Q Other than the lower price of electricity,
2 are there other aspects of electric service that can
3 help accomplish that goal?

4 A I assume there are, yes. For instance,
5 terms and conditions in a tariff.

6 Q How about price stability?

7 A Price stability would be another one, I
8 agree.

9 Q Availability of supply?

10 A Yes, thank you, you are helping me.
11 Reliable, safe supply at the competitive market
12 price.

13 Q And do you know whether or not states
14 surrounding the state of Illinois have elected the
15 competitive model that Illinois has?

16 A Indiana has not, Missouri has not,
17 Wisconsin has not and I believe Iowa has not.

18 Q In the immediate future would you
19 anticipate that electric costs in those states are
20 likely to be lower than they are in Illinois?

21 A I haven't done a recent comparison. I just
22 read an article, though, about Wisconsin's rates

1 increasing significantly over the past five years. I
2 don't know what level; I haven't done a recent
3 comparison.

4 Q Do you know -- how about in the state of
5 Missouri where your Union Electric Company is?

6 A I do know those rates.

7 Q Those are traditionally lower than the
8 state of Illinois even under a regulated basis, isn't
9 that true?

10 A It depends on the rate class and the
11 company.

12 Q Would you agree that it is generally true
13 that the industrial rates in Missouri were generally
14 lower than they were in Illinois, generally?

15 A With the exception of the metro east
16 territory, that's generally true.

17 Q And that was the Union Electric service
18 territory?

19 A Correct.

20 Q And Union Electric has shifted that service
21 territory to CIPS, is that correct?

22 A That's correct.

1 Q Now, based on your experience in acquiring
2 power for the Ameren companies, can you tell me if
3 the auction were held today what the approximate --
4 strike that. Can you tell me what the current prices
5 are for a one-year forward contract today?

6 A No, I can't. The most recent thing I
7 observed was 5 by 16 prices a few days ago. It was
8 in the \$90 per megawatt hour range, something like
9 that, in the Illinois market. I don't know what it
10 is today.

11 Q Would you agree or disagree that that would
12 be nine cents a kwh?

13 A That -- I am sorry, that may have been a
14 spot market price, I am sorry. That was not a
15 forward contract. Let me correct my answer. I
16 don't know what the forward contract prices are, 5 by
17 16 prices.

18 Q For one, two or three-year contracts?

19 A I haven't looked at it recently.

20 Q The last time you looked what was it?

21 A The last time that I took the effort to
22 really pursue that was back in the April time frame,

1 and I don't remember what the specific building
2 blocks were, but we tried to estimate what the price
3 of power would be for our load shape, meaning the
4 three Ameren utilities, and that's where we came to
5 the conclusion that it would be a 10 to 20 percent
6 rate increase in the generation.

7 Q Would you anticipate that those prices
8 today are likely to be even higher?

9 A If I remember correctly, I think it was
10 somewhere in the mid to lower 40s for the power
11 component and prices have generally risen since then.

12 Q Now, would you go to your direct testimony,
13 Respondent's Exhibit 2.0 and pages 8-9, lines 180 to
14 184?

15 A Okay.

16 Q Now, at lines 180 to 181 you indicate that
17 as of December 2004 a total of 32 percent of megawatt
18 powers of load for large commercial and industrial
19 customers in the CIPS service area was served by a
20 registered retail electric supplier, is that correct?

21 A That's correct.

22 Q And as I understand, based on footnote 4 of

1 your testimony here at page 8, I understand that you
2 are aware of the Illinois Commerce Commission's
3 monthly switching statistics?

4 A Correct. In fact, we did print a page from
5 that website to get both of those statistics.

6 Q Would you agree subject to check that as of
7 June 30, 2005, less than ten percent of the megawatt
8 hours of load of the large commercial and industrial
9 customers in the AmerenCIPS service territory was
10 served by a registered RES?

11 A I simply don't know.

12 Q I am asking whether you would agree subject
13 to check if you looked at the June 30, 2005, report
14 posted on the Commission website that that would show
15 as ten percent, less than ten percent of the megawatt
16 hours of load for large commercial and industrial
17 customers in the AmerenCIPS service territory is
18 served by a registered retail electric supplier?

19 A I would be happy to go do that but I don't
20 know what the number is.

21 MR. ROBERTSON: May I approach the witness?

22 JUDGE JONES: Go ahead.

1 BY MR. ROBERTSON:

2 Q I have shown you what I will represent is a
3 copy of the report that you reference in footnote 4
4 of your testimony, except this is the June 30, 2005,
5 version instead of the 2004 version. And would ask
6 again whether or not you would be prepared to accept
7 subject to check that this report if we make the
8 calculation relating to the number of customers of
9 the large C&I class served by retail electric
10 supplies in comparison to the total number of C&I
11 customers in the Ameren service territory would show
12 that less than ten percent of those customers are now
13 served by retail electric suppliers?

14 JUDGE JONES: Before you answer, are you asking
15 the witness if that's the report or are you telling
16 him that's the report?

17 MR. ROBERTSON: I am asking him to accept
18 subject to check that calculation.

19 JUDGE JONES: Well, something appears on a
20 piece of paper, you are asking him questions about
21 it, so.

22 MR. ROBERTSON: I am asking him to look at a

1 report that he has referred to in his testimony
2 except for the current version.

3 JUDGE JONES: Are you asking -- I am sorry, go
4 ahead.

5 MR. ROBERTSON: And asking him to accept
6 subject to check if he makes the same calculation.

7 JUDGE JONES: I am sorry to interrupt you. If
8 that's a different report than what was referred to
9 in his testimony, you are saying that's an updated
10 report, I guess we have your word for that. Are you
11 asking the witness, are you sort of authenticating
12 this through the witness or what's the story on that?

13 MR. ROBERTSON: The witness is free to
14 authenticate it himself. It is on the Commission
15 website. It is from the exact location that he gives
16 in footnote 4.

17 MR. FLYNN: Judge, we are willing to stipulate
18 for a foundation to the document and accept subject
19 to check that it is an accurate copy of the current
20 report obtained from the Commission's website, and
21 would have no objection to Mr. Robertson proceeding
22 to ask the witness questions upon that foundation.

1 JUDGE JONES: Do you have copies of that for
2 everybody to look at?

3 MR. ROBERTSON: I can have copies made. I
4 didn't -- since I printed it out last night, I didn't
5 have a place to make numerous copies from.

6 JUDGE JONES: Does anybody need to see a copy
7 of that before Mr. Robertson proceeds with his
8 questions on it?

9 MR. TOWNSEND: No, Your Honor.

10 JUDGE JONES: Thank you. Go ahead.

11 MR. ROBERTSON: Thank you.

12 Q I don't know if I got the answer to the
13 question or not.

14 A Mr. Robertson, I have looked at the
15 document you gave me. It appears to be the same
16 company, the same piece of paper, the same
17 information and I am assuming it is from the
18 Commission website and it appears to be. It does
19 appear that the total switched kwh has declined from
20 31 percent down to the 11 percent range.

21 Q Now, I take it from your prior cross
22 examination you have reviewed testimony or some of

1 the testimony of other parties in this proceeding?

2 A That's correct.

3 Q Did you have the opportunity to review the
4 direct testimony of CES witness Dr. O'Connor?

5 A Yes, I did.

6 Q Now, did you have the opportunity to review
7 his document CES Exhibit 1.12 which showed the
8 adjusted summer demand estimates of Illinois
9 utilities and retail electric suppliers?

10 A I may have looked at it, but I don't
11 remember much about it.

12 Q Excuse me a second.

13 (Pause.)

14 Are you familiar with the MidAmerican
15 Interconnected Network

16 A Yes.

17 MR. ROBERTSON: I would like to approach the
18 witness, if I may, Your Honor.

19 JUDGE JONES: You have another document?

20 MR. ROBERTSON: Yes, this is already in
21 evidence. It is IIEC Cross Exhibit Number 1,
22 O'Connor.

1 JUDGE JONES: Go ahead.

2 MR. RIPPIE: Mr. Robertson, that's in the
3 record in both proceedings?

4 MR. ROBERTSON: Yes, it is in the record in
5 both proceedings.

6 Q Now, I have shown you a copy of what's
7 previously been entered into the record in this
8 proceeding as IIEC Cross Exhibit Number 1 and ask you
9 to take a look at page 8 of 11.

10 A Okay.

11 Q Now, by the way, this is the Load and
12 Resource Audit - Summer of 2004 report of the
13 directors for MAIN?

14 A I am familiar with the document.

15 Q Now, would you agree that this document
16 shows that in the three months, June through August,
17 of 2004 Ameren Energy Marketing adjusted demand
18 ranged 621 megawatts to 644 megawatts?

19 A This is on page 8 of 11? Yes, I do.

20 Q Would you agree that the combined demand of
21 the other three retail electric suppliers in the
22 Ameren control area ranged from 52 megawatts to 53

1 megawatts?

2 A About that, yes.

3 Q And the other three are Midium (sp),
4 Interstar and Constellation New Energy?

5 A Correct.

6 Q Would you agree that based on these figures
7 Ameren Energy Marketing constituted over 92 percent
8 of the retail electric load for the period of time
9 specified?

10 A No. Part of their -- and to explain, part
11 of their load is not entirely retail. They have
12 wholesale agreements as well. I don't know what
13 percent is retail and what percent is wholesale. I
14 do know they have many wholesale agreements.

15 Q Do you think that this 629, 644, 639 is
16 simply the retail component?

17 A I am not sure from reading the document.

18 Q Did you look at the second page, second
19 full paragraph? Would you agree that this report
20 indicates that the retail electric suppliers are
21 shown, their load is shown in the record separately?

22 A It appears that way. I have read previous

1 versions of this report. I don't remember reading
2 this one. I am not entirely sure that page 8 of 11
3 is simply retail but it appears on the surface to be
4 retail.

5 Q Then would you agree that to the extent
6 that it is retail, Ameren Energy Marketing
7 constituted over 90 percent of the retail electric
8 supply load for the time period specified?

9 A Yes.

10 Q Would you agree subject to check -- strike
11 that. I show you what has previously been marked and
12 introduced into evidence in this proceeding as IIEC
13 Cross Exhibit 2, O'Connor, which is the same version
14 of the MAIN report that we have just been talking
15 about except for the period 2005. If we went through
16 the discussion that we just had and you looked at
17 page 8 of 10 of that report, would you agree that
18 Ameren Energy's marketing share of retail electric
19 supply load, assuming it is the retail electric
20 supply load, remains in excess of 92 percent for the
21 period specified?

22 A Given all the assumptions we have made, I

1 would agree.

2 Q Now, would you look at page or lines 183 to
3 184 of your direct testimony? You indicate that as
4 of December 2004 48 percent of large customer's load
5 in the AmerenIP area was served by alternative retail
6 electric suppliers, is that correct?

7 A Correct.

8 Q And again based on the switching statistics
9 supplied by the Illinois Commerce Commission and
10 which you reference in your testimony and which we
11 have previously discussed, as of June 2005 would you
12 agree that in only six months that percentage has
13 dropped from 48 percent to 40 percent?

14 A Again, I haven't looked at that website
15 recently. I don't know if it has dropped.

16 Q All right. I will refer you back to the
17 switching statistic report. I am sorry, I am sorry.
18 May I approach, please?

19 JUDGE JONES: Have you got another document?

20 MR. ROBERTSON: This is the switching statistic
21 publication for AmerenIP from the Commission's
22 website as of June 30, 2005.

1 JUDGE JONES: Did you catch that, Mr. Flynn?

2 MR. FLYNN: Sadly, no. The witness appears to
3 have waved me off.

4 JUDGE JONES: Any objections to the witness
5 being crossed on this exhibit?

6 MR. FLYNN: None.

7 JUDGE JONES: Or that document?

8 MR. FLYNN: Same answer.

9 BY MR. ROBERTSON:

10 Q Would you agree subject to check that if
11 we -- that the percentage of load served by retail
12 electric suppliers in the AmerenIP service territory
13 has dropped from 48 percent to 40 percent from June
14 of 2004 to June of 2005?

15 A Yes, sir.

16 Q Would you agree subject to check that the
17 Commission's June 30, 2005, report on switching shows
18 that there are 33 customers with demand of one
19 megawatt or greater served by retail electric
20 suppliers?

21 A Yes, there appears to be 33 customers.

22 Q And would you agree that the report also or

1 the Commission's statistical switching statistics
2 report shows that there are 224 customers eligible in
3 that class?

4 A Correct.

5 Q Would you agree subject to check that that
6 means that less than 15 percent of the customers with
7 demands of one megawatt and greater are served by
8 retail electric suppliers in the IP Ameren service
9 territory as of June 30 of 2005?

10 A I believe that calculation is correct.

11 Q Now, would you agree or disagree that
12 Ameren Energy Marketing was one of two active retail
13 suppliers in the Illinois Power, AmerenIP, service
14 territory?

15 A I don't know a lot about AEM's retail
16 marketing plan but I know in particular that they did
17 land a contract with one large retail customer.

18 Q In the AmerenIP service territory?

19 A Correct.

20 Q Do you know that the other retail electric
21 supplier active in the Ameren service territory was
22 Dynegy?

1 A Yes, from the acquisition that became
2 obvious as we did our due diligence.

3 Q And so you would agree that there were two
4 active suppliers in the IP service territory?

5 A It appears that there are or where.

6 Q And I say were because Dynegy has given up
7 its certification as a retail electric supplier, is
8 that correct?

9 MR. LAKSHMANAN: Objection, which entity are
10 you discussing, Mr. Robertson?

11 MR. ROBERTSON: Dynegy.

12 MR. LAKSHMANAN: Dynegy in terms of an ARES and
13 if so which ARES?

14 BY MR. ROBERTSON:

15 Q Well, let me ask it this way. I will start
16 again. Would you agree subject to check that IIEC
17 Cross Exhibit 2 shows that the retail electric
18 suppliers at page 10 of 10 active in the AmerenIP
19 control area were Dynegy and Ameren Energy Marketing?

20 A I don't know what they show. As I have
21 testified, I understand that AEM was active and I
22 heard from Dynegy -- or in the acquisition process

1 they were active. That's about all I know.

2 Q And do you know whether or not Dynegy is
3 still certified as an alternative retail electric
4 supplier in the state of Illinois?

5 A Not with certainty, I don't know.

6 Q Do you know whether or not AmerenIP has
7 attempted to encourage retail electric suppliers to
8 serve in its service territory in the last three or
9 four years?

10 A I don't know of any -- I do know that
11 AmerenIP has tariffs in place and terms and
12 conditions in place that allow various retail
13 suppliers to serve. I don't know whether they have
14 done anything above and beyond that to encourage
15 retail suppliers.

16 Q Now, would you agree or disagree that one
17 of the intents of the legislature in adopting the
18 Customer Choice and Rate Relief law of 1997 was to
19 encourage competition to create lower costs for users
20 of electricity?

21 A I believe one of the purposes of the Act
22 was to create retail competition, yes.

1 Q And would you agree or disagree that
2 specifically the legislature in 16-101(A)
3 subparagraph b references lower costs as a result of
4 competition?

5 A That sounds familiar. I thought I answered
6 that to a previous question.

7 Q I am going to let your attorney help you
8 out because I have no idea what previous question.

9 A The one about does IP do anything to
10 encourage competition. I think the answer to that.

11 JUDGE JONES: That is stricken.

12 Q Now, would you accept subject to check that
13 Section 16-101(A) subparagraph E of the Customer
14 Choice and Rate Relief law states it is a goal of the
15 General Assembly that all consumers benefit from
16 lower costs of electricity resulting from retail and
17 wholesale competition?

18 A It sounds familiar as well.

19 Q Would you agree that simply saying that the
20 Commission should encourage competition is not
21 necessarily representative of the goal of the General
22 Assembly?

1 A Who is simply saving?

2 Q Well, as I understand it has been suggested
3 that the Commission should promote competition. Let
4 me ask you this, would you agree that in promoting
5 competition the goal of promoting competition would
6 be to help produce lower costs of electricity
7 resulting from that competition?

8 A If that's the legislature's desire,
9 obviously that competition would put downward
10 pressure on electric prices.

11 Q Now --

12 A I don't know if anyone knew back then
13 whether prices would go up or down. But clearly the
14 thought was that competition would apply downward
15 pressures on prices.

16 Q Would you agree or disagree that the
17 primary reason customers would switch from bundled
18 service to PPO service is that the PPO service
19 represented a discount from bundled service?

20 A I think that's the primary reason.

21 Q Now, would you look at your rebuttal, I'm
22 sorry, I think this is your rebuttal testimony, lines

1 46 to 62?

2 JUDGE JONES: Mr. Robertson, how much more?

3 MR. ROBERTSON: This is my last question, as a
4 matter of fact, Your Honor. Not because you asked me
5 but it actually is.

6 A All right, I am there.

7 Q All right. Now, there you talk about, as I
8 recollect, switching between fundamentally different
9 products, is that right?

10 A That's part of what I talk about. The
11 other part is switching between products in the ComEd
12 auction and Ameren or ComEd products and Ameren
13 products.

14 Q Now, what is -- what I really wanted to
15 find out from you is what are the characteristics
16 that make products different?

17 A The point I was trying to make in these
18 lines in my testimony is that the ComEd fixed price
19 product is similar enough in nature that suppliers
20 conceivably might want to switch between that product
21 and the Ameren fixed-price product. We don't think
22 it is in our best interest, though, for customers,

1 for suppliers to switch supply during the auction
2 between fixed-price products and real-time pricing
3 products.

4 Q Now, when you say the Ameren fixed-price
5 product is similar -- I am sorry, the ComEd
6 fixed-price product is similar to the Ameren
7 fixed-price product, does the characteristic of the
8 product also relate to the type of load the product
9 is being purchased to serve?

10 A Yes. When I said similar, it is because it
11 is a full requirements load-following fixed-price
12 product.

13 Q And would the size of customer also -- in
14 other words, a one megawatt customer is different
15 from a 300 megawatt customer, would that make a
16 difference in the characteristics of the product?

17 A For purposes of the auction we didn't think
18 it would matter. We thought that even though they
19 were a different size, they fit different size
20 customers, they were similar enough that switching
21 should be allowed.

22 Q But would you agree with me that that is a

1 characteristic that would make the product different
2 or have different characteristics?

3 A I don't think the product is different. It
4 has different characteristics, yes. It is still a
5 full requirements load following. It is just the
6 load factor of one group may be different from
7 another.

8 Q And would you agree with me that ComEd has
9 a class of customers who are going to be served by
10 the fixed-price product that are from one to three
11 megawatts and Ameren has a class of customers who are
12 going to be served by a fixed-price product that
13 range from 100 to literally close to 300 megawatts?

14 A It is one megawatt and above.

15 Q Yeah, everybody. Would you agree that
16 there are customers on your system that have loads in
17 excess of 250 megawatts?

18 A Correct.

19 MR. ROBERTSON: I have nothing further. Thank
20 you.

21 JUDGE JONES: Just briefly on the two documents
22 that you were asking questions on, do you have those

1 handy?

2 MR. ROBERTSON: Yes.

3 JUDGE JONES: I just want to make sure the
4 record is clear on the identification of them. Now,
5 Mr. Robertson, what does the first of these say
6 across the top of the page?

7 MR. ROBERTSON: The first document that I
8 referred to was Supply Options Chosen by Customers of
9 Central Illinois Public Service Company doing
10 Business as AmerenCIPS as of June 30, 2005.

11 JUDGE JONES: That's how many pages?

12 MR. ROBERTSON: It printed out as two pages
13 because a footnote carried over to the second.

14 JUDGE JONES: And then could you read the title
15 of the second one?

16 MR. ROBERTSON: The second one is Supply
17 Options Chosen by Customers of Illinois Power Company
18 doing Business as AmerenIP as of June 30, 2005d, and
19 it is one page.

20 JUDGE JONES: Thank you.

21 MR. ROBERTSON: I think unless counsel has an
22 objection I would leave these with Your Honor if they

1 would be helpful to you.

2 JUDGE JONES: I thought maybe to be clear in
3 the record what the documents were exactly and a good
4 starting point there is the title of them and the
5 date, number of pages, that sort of thing so there is
6 no confusion in the record about what it was that the
7 witness is being asked questions about.

8 Looking at the horizontal cross cells here,
9 does Staff have cross examination of Mr. Nelson?

10 MR. FEELEY: No.

11 JUDGE JONES: Is there redirect?

12 MR. FLYNN: Just a few questions, Judge.

13 JUDGE JONES: Mr. Flynn.

14 MR. FLYNN: If I can approach the witness?

15 JUDGE JONES: Any objection? There is not. Go
16 ahead.

17 REDIRECT EXAMINATION

18 BY MR. FLYNN:

19 Q Mr. Nelson, Mr. Robertson asked you some
20 questions about IIEC Cross Exhibits 1 and 2,
21 O'Connor. I am going to hand you those. And
22 specifically he asked you about some data appearing

1 on page 8, is that correct? Rather, do you recall
2 that, sir?

3 A Yes, I do.

4 Q And is it your testimony that you don't
5 know whether the figures for Ameren Energy Marketing
6 are retail only or retail and wholesale?

7 A I have not read this document. I don't
8 know for sure what's retail and wholesale. It
9 appears in looking at this page it may be retail, but
10 I am not positive.

11 Q All right. Could you look at, I believe it
12 is, the second page of each exhibit?

13 A All right.

14 Q Which is the first page with text. The
15 second paragraph, could you read the last sentence of
16 that paragraph into the record?

17 A "To incorporate the effect of the RES
18 operations the templates include both wholesale and
19 retail load."

20 Q All right. Does that change your
21 understanding in any respect?

22 A No, I have not examined this document. It

1 could be that the earlier page had wholesale and page
2 8 of 10 has retail. I just don't know.

3 Q You can't say?

4 A I can't say without studying this and
5 possibly asking questions about it.

6 Q All right. Mr. Robertson asked you what
7 steps AmerenIP had taken to encourage retail
8 competition in its service territory in recent years.
9 Could ou explain your understanding in that regard?

10 A As I explained earlier, it is my
11 understanding that AmerenIP has all the necessary
12 tariffss in place so that customers can switch. I
13 remember the uniformity proceeding with the
14 Commission where IP and CIPS and ComEd tried to make
15 their tariffss, terms and conditions uniform to
16 encourage switching. And then another think that
17 came to mind was in the course of Ameren's
18 acquisition of IP, I believe we dedicated, we, the
19 Ameren companies, dedicated a hundred megawatts or
20 200 megawatts of power supply to ARES for the purpose
21 of encouraging competition.

22 Q Thank you. Mr. Townsend asked you some

1 questions about input from suppliers regarding the
2 timing of the auction. Do you recall those questions
3 and the answers that you gave?

4 A Yes, I do.

5 Q Would you describe the context in which the
6 input you were asked about was received?

7 A Yeah, there were a whole series of meetings
8 with suppliers, some more formal than others. We had
9 joint meetings with Staff, ComEd and other interested
10 parties, with the suppliers and then Ameren went a
11 step further and had one-on-one meetings with many
12 suppliers trying to explain the auction process and
13 trying to encourage them to come to Illinois and bid
14 in the auction to make it more competitive.

15 In the course of those discussions suppliers
16 gave us lots of input and I mentioned the input from
17 two major suppliers in the Ameren area, saying they
18 really didn't want to wait around until September to
19 find a home for their supply. But then there were
20 many other suppliers, probably discussions with four
21 or five at least, and I remember even a show of hands
22 at one meeting where most of those suppliers

1 preferred the September date.

2 And the rationale for those suppliers why they
3 wanted September versus May is that for the premium,
4 the time premium. And what I mean by that is the
5 farther the auction takes place from the delivery
6 date, the more time premium, the more risk there is
7 for suppliers. Hence, they are going to bid up a
8 supply. So they much preferred an auction date close
9 to the delivery date. And so those were some of the
10 pros and cons we weighed as we tried to pick an
11 auction date

12 Q Ms. Satter asked you some questions about
13 generation transfers occurring on specific dates.
14 Did Illinois Power engage in any generation transfers
15 other than the ones that Ms. Satter -- other than the
16 one that Ms. Satter mentioned?

17 A Yes, there was a fourth transfer of sale.
18 Illinois Power did sell its Clinton generating
19 facility to a non-affiliate.

20 Q And who owns that plant now?

21 A Exelon Generation is now the owner.

22 Q All right. Lastly, Ms. Satter asked you a

1 series of questions about Ameren's general knowledge
2 of wholesale power markets and products. Did you
3 understand in her questions and your answers that
4 Ameren referred to the Ameren distribution utilities?

5 A Most of my responses have been responses
6 for those three utilities. That's my job to
7 represent those three utilities. I guess I would
8 have to go back to the particular question and see --
9 there was a whole line of questioning, counsel, where
10 she asked about the -- Mr. Rosen asked about the
11 responsibilities of Ameren Energy and the generation
12 affiliates, too.

13 Q All right. When you discussed with
14 Ms. Satter what knowledge Ameren has of the power
15 markets, were you referring to the knowledge of CIPS,
16 CILCO and IP?

17 A Part of my responses to her where I
18 mentioned that Mr. Blessing and I and Mr. Peters
19 would have knowledge of the long term wholesale
20 markets, it was addressing the wholesale of the three
21 utilities.

22 MR. FLYNN: Thank you. That's all the

1 redirect.

2 JUDGE JONES: Any recross?

3 MS. SATTER: No.

4 JUDGE JONES: Mr. Townsend?

5 MR. TOWNSEND: Thank you, Your Honor.

6 RECROSS EXAMINATION

7 BY MR. TOWNSEND:

8 Q Mr. Nelson, on redirect you testified about
9 the conversations that you had with suppliers,
10 correct?

11 A Correct.

12 Q Now, you didn't present any prefiled
13 testimony detailing the specifics of those
14 conversations with other suppliers, did you?

15 A I mentioned those conversations. I didn't
16 have any specific testimony.

17 Q Right. And when you mentioned those
18 conversations, it was in the context of explaining
19 why it was that you decided to advocate a May auction
20 rather than a September auction, correct? That's at
21 lines 307 to 310 of your rebuttal testimony.

22 A I did address on line 306 our desire to

1 attract the maximum number of potential suppliers.

2 Q Right. But when you actually talk about
3 the input that you receive from suppliers at line
4 310, that's referring to the prior clause in line 307
5 where you are explaining why it is that you decided
6 on the May 2006 auction date, correct?

7 A That's correct.

8 Q So based upon your conversations with those
9 suppliers, you would conclude that May was preferable
10 rather than September, correct?

11 A With that one consideration, yes.

12 Q And you did not mention in any of your
13 prefiled testimony the alleged premium associated
14 with holding the auction earlier, did you?

15 A Not that I recall.

16 Q Was that because you didn't believe it was
17 relevant or because you just didn't believe -- strike
18 that. So as a result of not mentioning those
19 discussions there was not an opportunity to present
20 testimony in response to that, is that correct? Just
21 procedurally now you have put this into the record
22 without any ability for any party to be able to

1 respond to that alleged premium that you are
2 discussing, is that right?

3 MR. FLYNN: Objection, compound, argumentative
4 and frankly pointless. I don't think that counsel
5 should be engaging in procedural arguments with the
6 witness.

7 MR. TOWNSEND: I will withdraw that question.

8 Q Did you intentionally not tell the
9 Commission about your belief that there were -- I am
10 sorry, strike that. Did you intentionally not tell
11 the Commission about the context of those supplier
12 conversations and this alleged premium in order to be
13 able to gain a competitive advantage in precluding
14 parties from responding to that?

15 A No, it was an oversight on my part for
16 which I apologize.

17 Q But you would agree that at this point now
18 parties have already presented their testimony both
19 in prefiled form and cross examination, correct?

20 MR. FLYNN: Objection. The same objection I
21 had before. What's the point? We all know what the
22 schedule is.

1 JUDGE JONES: Response?

2 MR. TOWNSEND: Your Honor, we have been
3 prejudiced by this. If his response is affirmative
4 with regards to that, then I move to strike the
5 redirect cross examination.

6 MR. FLYNN: Well, let's review how we got here.
7 Mr. Nelson put in some testimony. Mr. Townsend chose
8 to cross-examine him on it and asked him about it. I
9 asked him to put it in context. He put it in
10 context. Now he is upset that the testimony has come
11 into the record. I can't do anything about that.
12 This testimony was offered in response to proper
13 redirect. That followed up on cross examination that
14 Mr. Townsend elected to conduct.

15 MR. TOWNSEND: Your Honor, the point of the
16 recross examination is to set the foundation for
17 striking this testimony as being something that this
18 witness could have presented if he would have thought
19 that it was relevant for the Commission to consider.
20 He could have and should have presented in his
21 rebuttal testimony right here, and he chose not to.
22 And as a result the parties are prejudiced to an

1 extreme degree where we have no opportunity at all in
2 order to be able to present evidence in rebuttal
3 today.

4 Merely asking a question about what is in the
5 testimony does not afford the witness a chance to
6 supplement his testimony and give improper rebuttal
7 or improper surrebuttal testimony

8 JUDGE JONES: Let's get back to the question
9 that you asked. It seemed to be the first thing on
10 the table. What was your question to the witness?

11 MR. TOWNSEND: I believe that the objection
12 arose out of asking whether at this point the parties
13 are unable to be able to respond to the testimony
14 that he offered.

15 JUDGE JONES: Actually, you had a question
16 pending before the witness.

17 MR. TOWNSEND: No, I believe that that was the
18 question that I had.

19 JUDGE JONES: Well, we are not going to go --

20 MR. FLYNN: I believe Mr. Townsend is correct
21 in that regard. That was the specific question.

22 JUDGE JONES: All right. We will allow the

1 question and ask the witness to answer the question
2 if he has an answer.

3 WITNESS NELSON: I am sorry, could you rephrase
4 the question?

5 BY MR. TOWNSEND:

6 Q At this point by offering this up, the
7 parties are not afforded an opportunity to be able to
8 respond, correct?

9 A I don't know.

10 MR. TOWNSEND: Your Honor, at this point we
11 would move to strike that line of redirect cross
12 examination or redirect examination offered by
13 Mr. Flynn.

14 JUDGE JONES: Well, it's been argued. It is
15 difficult to see how redirect that does flow from
16 cross should be stricken while the cross stays in the
17 record. So as I understand it, you want your cross
18 to stay in the record but the redirect to be stricken
19 from the record.

20 MR. TOWNSEND: If I may clarify, Your Honor,
21 the cross examination was within the confines of what
22 this witness did present and as a matter of fact

1 there are a number of areas where we indicate or
2 inquire whether or not he did present something in
3 addition or, you know, if we were missing something
4 with regards to his testimony. For example, you
5 know, we asked if there were quantitative analyses
6 that were presented.

7 Now, simply by asking that question of whether
8 or not one was presented doesn't open the door for
9 Mr. Flynn to say, oh, by the way, we do now on
10 redirect examination have that and so we would like
11 to supplement the record by introducing it. Asking
12 within the confines of what has been presented
13 doesn't open the door to supplement what is already
14 there

15 JUDGE JONES: Anything further?

16 MR. FLYNN: Simply that it is a proper use of
17 redirect testimony to explain, describe, clarify, to
18 place in context specific matters that come up on
19 cross examination. There were several questions. I
20 know counsel doesn't like the context. He wants a
21 very selective portrayal of the facts.

22 JUDGE JONES: That's fine. I think that we are

1 sort of hearing what you argued before and I realize
2 I asked you if you had any further comment so I sort
3 of invited that, I guess. This is kind of a little
4 bit of an unusual situation but I guess kind of
5 looking at it, I think, really as cross, redirect,
6 etc., it appears to me to be appropriate redirect.
7 It does appear to flow directly from the cross. And
8 that sort of passes the sort of basic test in that
9 regard.

10 I think that if counsel wants to conduct some
11 additional recross, I think that would be appropriate
12 under the circumstances here. But in terms of -- and
13 he was allowed to ask the witness the questions that
14 he wanted to ask so he did do that. But that's the
15 ruling.

16 So, given that, if Mr. Townsend has some
17 additional recross he would like to pose to the
18 witness, I think that would be reasonable for him to
19 do. Mr. Townsend?

20 BY MR. TOWNSEND:

21 Q Mr. Nelson, did you present any analysis of
22 any alleged premium associated with holding the

1 auction prior to September?

2 A No.

3 Q Did you conduct any such analysis?

4 A Only through interviews and qualitative
5 assessment.

6 Q Are you familiar with the analysis that was
7 presented in the ComEd proceeding by the Coalition
8 witnesses with regards to the timing of the auction?

9 A Somewhat.

10 Q Would you agree that within that testimony
11 the Coalition witnesses did testify that there was no
12 premium associated with holding the auction in May as
13 opposed to September?

14 A I am aware they stated that, yes.

15 MR. TOWNSEND: No further recross.

16 JUDGE JONES: Thank you. Is there other
17 recross, anyone?

18 EXAMINATION

19 BY JUDGE JONES:

20 Q Mr. Nelson, just a couple quick questions
21 on your direct. Really they both relate to the same
22 general subject matter. There is some testimony in

1 your direct testimony regarding AmerenUE. It pops up
2 in multiple places but one such place is page 3, line
3 51. Do you have that in front of you?

4 A Yes, I do.

5 Q You state in part, "I will explain how
6 current Illinois customers of AmerenUE will be
7 affected by this proposal." How will current
8 Illinois customers of AmerenUE be affected by this
9 proposal?

10 A They are no longer customers of AmerenUE.
11 If you look also on page 9, I think it will help
12 explain it. On page 9 I did further explain what was
13 happening. The question started on line 197, "What
14 is the status of Ameren's transfer of metro customers
15 to CIPS?" And at the point in time when I did this
16 testimony we had the approvals and then on May 2,
17 2005, those customers were transferred from AmerenUE
18 to CIPS. So now those former UE customers are part
19 of CIPS' load.

20 Q So are you stating that the transactions
21 that you refer to on page 9 were fully completed and
22 consummated on May 2, 2005?

1 A Yes, sir.

2 Q So are you also saying then that the
3 so-called current customers, current Illinois
4 customers, of AmerenUE are now no longer Illinois
5 customers of AmerenUE?

6 A Correct. They are now -- those customers
7 are customers of AmerenCIPS. AmerenUE has no
8 operations in Illinois.

9 Q Okay. So having brought us up-to-date on
10 that, let's go back to your statement on page 3, my
11 question with regard to it. I realize that when you
12 say current Illinois customers that's now "then"
13 current Illinois customers, all right?

14 A Correct.

15 Q But in terms of explaining how those
16 customers will be affected by this proposal, how will
17 it?

18 A Well, now that they are customers of
19 AmerenCIPS they will be treated just as all customers
20 of AmerenCIPS, AmerenIP and AmerenCILCO in that the
21 auction process will be the mechanism by which we
22 will arrange for supply for those former UE

1 customers.

2 Q If that's approved.

3 A If it is approved.

4 Q But in any event are you telling us that in
5 your view whatever happens to AmerenCIPS, CILCO and
6 IP will be equally applicable to the former AmerenUE
7 customers?

8 A Yes, Your Honor.

9 JUDGE JONES: Thank you. You are free to step
10 down.

11 (Witness excused.)

12 JUDGE JONES: Off the record.

13 (Whereupon there was
14 then had an
15 off-the-record
16 discussion.)

17 JUDGE JONES: We will break for one hour.
18 Looks like a return point of 1:30.

19 (Whereupon the hearing
20 was in recess for lunch
21 until 1:30 p.m.)
22

1 AFTERNOON SESSION

2 (Whereupon the proceedings are
3 now being stenographically
4 reported by Laurel A. Patkes.)

5 JUDGE JONES: Back on the record.

6 Unless the lineup has changed over
7 lunch, it looks like the next witness is Ameren
8 Companies' witness, witness Dr. McNamara, is that
9 correct?

10 MR. JAKUBIAK: Yes. Ameren Companies would
11 like to call to the stand Ron McNamara.

12 JUDGE JONES: Sir, please raise your right hand
13 to be sworn.

14 (Whereupon the witness was sworn
15 by Judge Jones.)

16 JUDGE WALLACE: Thank you please have a seat.

17 Could you identify yourself too for
18 our court reporter, please?

19 MR. JAKUBIAK: Jeffrey Jakubiak
20 (J-a-k-u-b-i-a-k) with the law firm of Troutman
21 Sanders, LLP.

22 JUDGE JONES: What is your business phone

1 number?

2 MR. JAKUBIAK: (202)274-2950.

3 JUDGE JONES: Thank you.

4 Go ahead.

5 MR. JAKUBIAK: Thank you.

6 RON McNAMARA

7 called as a witness herein, on behalf of Ameren
8 Companies, having been first duly sworn on his oath,
9 was examined and testified as follows:

10 DIRECT EXAMINATION

11 BY MR. JAKUBIAK:

12 Q Please state your name and address for
13 the record.

14 A My name is Ron McNamara. My address is 701
15 City Center Drive, Carmel, Indiana.

16 Q What is your current occupation and
17 employer?

18 A I am employed by the Midwest Independent
19 Transmission System Operator or MISO as the vice
20 president of market management.

21 Q Mr. McNamara, I'm going to hand you a
22 document labeled Respondent's Exhibit 9.0 labeled

1 "Direct Testimony of Ronald R. McNamara" submitted on
2 behalf of Central Illinois Light Company, Central
3 Illinois Service Company, and Illinois Power Company.

4 Is this the testimony that you
5 prepared or was prepared under your supervision that
6 was submitted in this proceeding?

7 A Yes, it is.

8 Q Do you have any corrections to make to that
9 testimony?

10 A No.

11 MR. JAKUBIAK: Your Honor, I'd like to move for
12 the admission of Respondent's Exhibit 9.0. It was
13 e-filed, excuse me, submitted e-docket February 28,
14 2005, Part 7 of 8.

15 JUDGE JONES: Thank you.

16 Any objections?

17 Let the record show there are not.

18 At this time, let the record show that
19 Respondent's Exhibit 9.0, Direct Testimony of
20 Dr. McNamara, is admitted into the evidentiary record
21 in this case as filed on e-docket on February 28,
22 2005.

1 (Whereupon Respondent's Exhibit
2 9.0 was admitted into evidence
3 at this time.)

4 MR. JAKUBIAK: Your Honor, the witness is
5 available for cross-examination.

6 JUDGE WALLACE: Mr. Rosen?

7 MR. ROSEN: Am I the only one with cross?

8 MR. RIPPPIE: I have some.

9 MR. ROSEN: Why don't you go.

10 MR. RIPPPIE: I'd be happy to.

11 Good afternoon, Dr. McNamara. My name
12 is Glenn Rippie, and I'm an attorney for Commonwealth
13 Edison Company, and I have I hope remarkably few
14 questions for you this afternoon.

15 CROSS-EXAMINATION

16 BY MR. RIPPPIE:

17 Q You are an employee and an officer of the
18 Midwest ISO, is that correct?

19 A Yes, it is.

20 Q You are not an employee of any Ameren
21 affiliate, is that right?

22 A That's correct.

1 Q Midwest ISO is a FERC-approved independent
2 RTO, am I correct?

3 A That's correct.

4 Q Is MISO an Illinois utility?

5 A No.

6 Q Does MISO to your knowledge have a tariff
7 for retail service on file with the Illinois Commerce
8 Commission?

9 A No.

10 Q Are the day 2 markets that you testified to
11 in your direct testimony currently in operation?

12 A Yes. They began operation on April 1st.

13 Q 2005?

14 A 2005, excuse me.

15 Q In MISO's view, has the implementation of
16 its day 2 markets been successful?

17 A Yes.

18 Q I understand that MISO maintains state
19 control areas for administrative and balancing
20 purposes.

21 Nonetheless, does MISO perform a
22 single centralized dispatch within its footprint?

1 A Yes, we do, five-minute dispatch.

2 Q And that is across all of the control

3 areas?

4 A It's across our entire footprint.

5 Q Will MISO continue to be doing that at the

6 time of the Ameren auctions?

7 A Yes, it will.

8 Q Are the LMPs throughout MISO determined on

9 the basis of that single dispatch?

10 A Yes, they are.

11 Q Are a single system of FTRs available to

12 hedge congestion across all of the MISO footprint?

13 A Yes.

14 Q With respect to the MISO day 2 energy

15 markets, other than for the purpose of administering

16 the various control areas we discussed, is there any

17 difference in the tariffs applicable to load in

18 Illinois versus load in other areas of MISO?

19 A None that I'm aware of.

20 Q Is there any difference in the market rules

21 applicable to load within Illinois versus load across

22 the border?

1 A No.

2 Q Again, with respect to the MISO energy
3 markets and other than the control area
4 administration functions, is there any difference in
5 the market rules applicable to Illinois load or
6 generation?

7 A No.

8 Q Is there any remaining significance to the
9 Illinois state line in the day 2 MISO market other
10 than where that state line happens to also be an RTO
11 boundary?

12 A No.

13 Q Do you happen to know what the MISO peak
14 load was this summer?

15 A It was approximately 112,000 megawatts.

16 Q Now, as I understand it -- well, I'll just
17 ask you.

18 Are you aware of whether Ameren
19 proposes an auction that would allow a supplier to
20 switch bids back and forth between Ameren and ComEd
21 load for similar products?

22 A Is this what has been defined as the CPA?

1 Q Yes.

2 A Then yes.

3 Q Given your experience in operating the day
4 2 markets, are you aware of any reason why the MISO
5 market structure would be unable to support that
6 auction?

7 A None whatsoever.

8 MR. RIPPIE: Thank you, Dr. McNamara. That's
9 all I have.

10 JUDGE JONES: There appear to be other parties
11 that do have cross-examination of Dr. McNamara,
12 Attorney General, CUB.

13 MR. ROSEN: Just a few quick questions.

14 CROSS-EXAMINATION

15 BY MR. ROSEN:

16 Q On Page 18 of your direct testimony, you
17 discuss a seam issue beginning on Line 11.

18 As of today, is there still a seam
19 issue between PJM footprint and the MISO footprint?

20 A Yes, there are remaining seams issues.
21 However, since April 1st of 2005, we have been
22 operating what could be considered as a joint

1 dispatch through an integration of flow gates so that
2 for the first time in that boundary area or for the
3 two markets, we are actually integrating the dispatch
4 of the units on both the PJM side and the MISO side.

5 Q And this coordination started as of
6 April 2005?

7 A The market-to-market aspect started as of
8 April 2005.

9 Q And now we're into September of 2005. Are
10 there still seam issues that exist?

11 A There are. From a dispatch perspective,
12 I'm not aware of any, but in terms of the market
13 operation, there are certain efficiencies that we
14 would like to see in terms of timing on FTR
15 allocations for example and so on, but certainly, the
16 majority of the dispatch has been accomplished
17 through this integrated approach.

18 Q The remaining seam issues, does that have
19 an impact on the prices?

20 A Not that I'm aware of.

21 Q There was prior testimony in this case that
22 there seemed to be price disparities along the seam

1 between MISO and PJM.

2 Would you agree or disagree with that
3 testimony?

4 A I'm not familiar with that testimony so I
5 don't know what they mean by disparity.

6 Q Well, there's apparently a price difference
7 among prices on the spot markets along that
8 particular seam.

9 A A price difference does not necessarily
10 equate to a seam issue.

11 Q Are you aware of whether there are price
12 differences along or near the seam of PJM footprint
13 and the MISO footprint?

14 A Yes, there are price differences. However,
15 we have done some correlations, and the correlations
16 between our interface prices and PJM's interface
17 prices are quite good.

18 Q What are those price differences as of now?

19 A I would have no way of knowing. Prices are
20 calculated every five minutes in the realtime and on
21 a daily basis for over 1400 nodes, so they could vary
22 by hour, by minute, by day, by week, by season.

1 Q And on average, does one price in one area
2 or one RTO seem higher than the price in the other
3 RTO?

4 A Again, it depends upon the flow patterns.
5 It depends on a lot of other --

6 Q On average, if you looked at all of this
7 information over a week period, will you see a
8 pattern of price differences that suggest that one
9 price in one RTO tends to be higher than the prices
10 in another RTO?

11 A In general, we would expect the MISO
12 average price to be somewhat lower because of the
13 amount of base load plants that we have in our
14 footprint.

15 MR. ROSEN: Nothing further.

16 JUDGE JONES: Thank you, Mr. Rosen.

17 Commission staff, do you have
18 anything?

19 MR. FEELEY: Nothing.

20 JUDGE JONES: Do the other parties have cross
21 of Dr. McNamara?

22 Is there redirect.

1 MR. JAKUBIAK: We have no redirect, Your Honor.

2 JUDGE JONES: Dr. McNamara, I just have a
3 couple of questions for you. I had a third but it
4 was already answered.

5 EXAMINATION

6 BY JUDGE JONES:

7 Q Would you turn to Page 10 of your
8 testimony, please?

9 A Yes, sir.

10 Q At the top of that page, there was
11 reference in the question and answer to a capacity
12 market.

13 Do you see that reference?

14 A Yes.

15 Q In the context of that answer, what do you
16 mean by the term capacity market?

17 A What is commonly referred to as either
18 capacity market or a reserve market which is an
19 element of our market design that we do not have at
20 this point in time, and what it is is a mechanism for
21 ensuring that we have adequate capacity on the
22 system.

1 Q What is the basis for your anticipation
2 that such a market will be implemented during the
3 first half of 2006?

4 A We are under a number of obligations, not
5 the least of which is a FERC order to address the
6 issue of capacity mechanism or capacity market.

7 In addition, market participants have
8 clamored for this issue to be addressed, so we not
9 only have a need or a demand arising from market
10 participants but also from various regulatory orders
11 that have come out, and we need to address this in
12 order to, in a sense, complete the market design.

13 Q My other question is on Page 19, Line 7.
14 There you refer to a filing being made with FERC in
15 September of 2004.

16 What is the status of that filing?

17 A The status of the filing in terms of
18 whether it was accepted or further ongoing work? I'm
19 not sure what you're asking.

20 Q Well, when you stated it was filed with
21 FERC, what were you talking about?

22 A The process by which we are coordinating

1 our seams. The seam between PJM and MISO was filed
2 and accepted in order to operate the markets.

3 Q And when you say it was accepted, what does
4 that mean?

5 A I'm not sure. I'm not sure exactly of the
6 condition of the docket or whatever, but we are
7 operating under what was filed at FERC.

8 Q Is there a docket pending?

9 A I don't know.

10 Q And your statement is that MISO is
11 operating pursuant to that agreement at this time?

12 A As is PJM, yes, sir.

13 And I might add that that has formed
14 the basis of our seams agreements with other people
15 that we have seams with, SPP and others in our
16 footprint.

17 Q You do not know if that filing is under
18 review at FERC?

19 A I do not.

20 JUDGE JONES: That's all I have. Thank you,
21 Dr. McNamara.

22 (Witness excused.)

1 MR. FITZHENRY: Your Honor, Mr. Mill was the
2 next scheduled witness. He's expected to be here in
3 ten minutes, or we can go ahead with Mr. Cooper.

4 JUDGE JONES: Off the record.

5 (Whereupon an off-the-record
6 discussion transpired at this
7 time.)

8 JUDGE JONES: Back on the record.

9 Let the record show there was an
10 off-the-record discussion that was, like many others,
11 was driven primarily by the schedule and an updating
12 of the schedule.

13 Does Ameren call a witness?

14 MR. FITZHENRY: Yes, Your Honor.

15 At this time, the Ameren Companies
16 call Mr. Robert Mill to the stand.

17 MR. FLYNN: Judge, I believe neither Mr. Mill
18 nor Mr. Cooper has been sworn.

19 JUDGE JONES: All right. Well, we'll just go
20 ahead and swear both of you in since you're both here
21 and you're both standing.

22

1 (Whereupon the witnesses were
2 sworn by Judge Jones.)

3 JUDGE JONES: Thank you.
4 Please be seated.

5 ROBERT J. MILL
6 called as a witness herein, on behalf of Ameren
7 Companies, having been first duly sworn on his oath,
8 was examined and testified as follows:

9 DIRECT EXAMINATION

10 BY MR. FITZHENRY:

11 Q Mr. Mill, will you please state your full
12 name and business address?

13 A My name is Robert J. Mill (M-i-l-l), 1901
14 Chouteau Avenue, St. Louis, Missouri 63166.

15 Q And by whom are you employed, Mr. Mill?

16 A Ameren Services Company.

17 Q Okay. What is your job title?

18 A I am director of regulatory policy and
19 planning.

20 Q Mr. Mill, in that capacity, have you caused
21 to be filed in these consolidated dockets certain
22 testimonies and exhibits?

1 A Yes, I have.

2 Q I have before you what's been previously
3 marked for identification as Respondent's Exhibit 4.0
4 titled "Direct Testimony of Robert J. Mill" and ask
5 if that is your direct testimony to be submitted?

6 A Yes, it is.

7 Q And does this testimony consist of 14 pages
8 of questions and answers?

9 A Yes.

10 Q And attached to Respondent's Exhibit 4.0 is
11 another exhibit identified as Respondent's
12 Exhibit 4.1, is that correct?

13 A Yes.

14 Q And was that prepared by you or under your
15 direction and supervision?

16 A Yes, it was.

17 Q Mr. Mill, I turn your attention to another
18 document that's been identified as Respondent's
19 Exhibit 16.0 titled "Rebuttal Testimony of Robert J.
20 Mill" and ask again if that was the testimony that
21 you intended to be submitted for these consolidated
22 dockets?

1 A Yes.

2 Q Does that testimony consist of 16 pages of
3 questions and answers?

4 A Yes.

5 Q And attached to the testimony is there
6 Respondent's Exhibit 16.1?

7 A Yes.

8 Q And were both Exhibit 16 and 16.1 prepared
9 by you or under your direction and supervision?

10 A Yes, they were.

11 Q And then finally, Mr. Mill, I turn your
12 attention to another document identified for the
13 record as your surrebuttal testimony, Respondent's
14 Exhibit 23.0 and ask if that was prepared by you or
15 under your direction and supervision?

16 A Yes.

17 Q Does that consist of 11 pages of questions
18 and answers?

19 A Yes.

20 MR. FITZHENRY: Your Honor, again, for the
21 record, the direct testimony, Exhibit 4.0, and 4.1
22 were filed on e-docket on February 28th. The

1 rebuttal testimony, Exhibit 16.0, and attached
2 Exhibit 16.1 were filed on July 13th, and then the
3 surrebuttal testimony, Exhibit 23, was filed on
4 e-docket on August 29th.

5 I'd move for the admission of those
6 exhibits, please, and tender Mr. Mill for
7 cross-examination.

8 JUDGE JONES: Are there any objections to the
9 admission of those exhibits sponsored by Mr. Mill?

10 Let the record show there are not.

11 What was the exhibit number on the
12 direct?

13 MR. FITZHENRY: 4.0.

14 JUDGE JONES: What's being offered in the
15 direct filing through Mr. Mill is 4.0, 4.1 CILCO, 4.1
16 CIPS, 4.1 IP?

17 MR. FITZHENRY: Yes, that's correct.

18 JUDGE JONES: And those are separate exhibits?

19 MR. FITZHENRY: They're separate exhibits.
20 They are virtually the same but for the fact the
21 names of the companies are different. I neglected to
22 mention that.

1 JUDGE JONES: Okay. Thank you.

2 Let the record show that Respondent's
3 Exhibit 4.0, 4.1 CILCO, 4.1 CIPS and 4.1 IP are
4 admitted into the evidentiary record as filed on
5 e-docket on February 28, 2005.

6 (Whereupon Respondent's Exhibits
7 4.0, 4.1 CILCO, 4.1 CIPS and
8 4.1 IP were admitted into
9 evidence at this time.)

10 JUDGE JONES: There are three versions of 4.1
11 because at that time, there were three dockets since
12 consolidated so they appear in three different places
13 in e-docket although in a similar manner.

14 Respondent's Exhibit 16.0, rebuttal
15 testimony, is admitted as filed on July 13, 2005, and
16 that includes -- the rebuttal filing includes 16.1
17 also, is that correct?

18 MR. FITZHENRY: It does, Your Honor.

19 JUDGE JONES: Was that part of what was
20 offered?

21 MR. FITZHENRY: Yes, it was.

22 JUDGE JONES: Respondent's Exhibit 16.1 is

1 admitted into the evidentiary record that's filed on
2 July 13, 2005 as well as 16.0.

3 (Whereupon Respondent's Exhibits
4 16.0 and 16.1 were admitted
5 into evidence at this time.)

6 JUDGE JONES: Lastly, on the surrebuttal front,
7 Respondent's Exhibit 23.0, surrebuttal testimony, is
8 admitted as filed on e-docket August 29, 2005.

9 (Whereupon Respondent's Exhibit
10 23.0 was admitted into evidence
11 at this time.)

12 JUDGE JONES: And the witness is tendered for
13 cross, is that right?

14 MR. FITZHENRY: Yes, he's available for
15 cross-examination.

16 JUDGE JONES: There appears to be some.

17 Who would care to lead off?

18 MR. FEELEY: I can go first.

19 JUDGE JONES: All right. Mr. Feeley?

20 MR. FEELEY: Good afternoon, Mr. Mill. My name
21 is John Feeley, and I represent the staff.

22 THE WITNESS: Good afternoon.

1 MR. FEELEY: I have just a few questions for
2 you.

3 CROSS-EXAMINATION

4 BY MR. FEELEY:

5 Q I direct your attention to your surrebuttal
6 testimony, Page 4. Around line 84 in your testimony,
7 you state the following, "Without the MVAF mechanism
8 to also true-up the collection of the authorized
9 level of SPA costs, the Ameren Companies will always
10 be in an over or under recovery position with respect
11 to such costs due mostly to the level of customer
12 switching between RES service and utility bundled
13 service."

14 That testimony there, is the primary
15 concern there that the level of customers switching
16 between RES service and utility bundled service could
17 be significant enough to cause an over or under
18 recovery?

19 A Yes, any switching would create an over or
20 under recovery situation.

21 Q Then the purpose of tracking SPA costs
22 through the MVAF would be to provide a mechanism to

1 adjust for the effects of customers switching between
2 RES service and utility bundled service, is that
3 correct?

4 A This plus differences in consumption levels
5 from month to month. That would also be part of the
6 analysis.

7 You have two factors working together.
8 You have changing in your customer base and you have
9 some changing in customer consumption.

10 Q Hypothetically, if the ratio of customers
11 taking RES service and the customers taking utility
12 bundled service were expected to remain relatively
13 constant in between rate cases, would that in your
14 view alleviate the need to track SPA costs through
15 the MVAFF?

16 A Not entirely because as I indicated, you
17 would also have differing levels of consumption
18 occurring due to weather variation and customer
19 growth and things like that that could also change
20 your recovery of those costs.

21 Q Have the companies presented any evidence
22 in this proceeding regarding its expectations about

1 the level of customer switching between RES service
2 and utility bundled service?

3 A I really can only speak for myself.
4 Nowhere in my testimony or exhibits have I made
5 projections of such switching. I'm not fully aware
6 of each witnesses, fully aware of all their testimony
7 and exhibits.

8 Q If I could direct your attention to Page 6
9 of your surrebuttal and in particular Lines 131
10 through 132. That's a Q and A that starts at 131.
11 Is that what you have?

12 A I'm there.

13 Q In your testimony there, you indicate that
14 the magnitude of the SPA is not significant in terms
15 of the overall PGS costs.

16 Is that your testimony?

17 A Yes.

18 Q Has the company provided any specific
19 language in this proceeding that would accomplish the
20 tracking of SPA costs through the MVAFF?

21 A Did you use the word would conflict?

22 Q No. I'll say the question again.

1 Has the company provided specific
2 tariff language in this proceeding that would
3 accomplish the tracking of SPA costs through the
4 MVAF?

5 A If the Commission were to agree with this
6 proposal during the compliance filing, we would have
7 to incorporate such language into the tariff.

8 Q So in the evidence right now in the record,
9 that language is not in there then, is that correct?
10 You're saying it would be developed later on?

11 A Yes, as would any other changes that the
12 Commission deems to make to our filing.

13 MR. FEELEY: Thank you, Mr. Mill. That's all I
14 have.

15 JUDGE JONES: Who's next? Which parties still
16 have questions for Mr. Mill?

17 MR. TOWNSEND: I do.

18 MR. ROBERTSON: I do.

19 JUDGE JONES: Go ahead, Mr. Robertson.

20 MR. ROBERTSON: Good afternoon, Mr. Mill. My
21 name is Eric Robertson. I represent the Illinois
22 Industrial and Energy Consumers.

1 CROSS-EXAMINATION

2 BY MR. ROBERTSON:

3 Q Based on your understanding of the ComEd
4 and Ameren filings, is it true that both companies
5 are proposing a vertical tranche declining clock
6 auction?

7 A Yes.

8 Q And are both companies contemplating the
9 hiring of the same auction manager?

10 A That's my understanding although it's not
11 reflected in my testimony.

12 JUDGE JONES: One minute, Mr. Robertson.

13 Is there anybody listening in in
14 Chicago at this time?

15 (No response)

16 Q BY MR. ROBERTSON: And is it correct that
17 both companies are proposing to conduct their auction
18 at the same time?

19 A Yes.

20 Q And is it correct that both companies have
21 attempted to conform or to propose auction rules that
22 were as close as possible to the same?

1 A That's my understanding.

2 MR. ROBERTSON: I have no further questions.

3 JUDGE JONES: Thank you, Mr. Robertson.

4 Mr. Townsend?

5 MR. TOWNSEND: Good afternoon, Mr. Mill.

6 THE WITNESS: Good afternoon.

7 MR. TOWNSEND: Chris Townsend appearing on
8 behalf of the Coalition of Energy Suppliers, and I
9 just have a few questions.

10 CROSS-EXAMINATION

11 BY MR. TOWNSEND:

12 Q Has Ameren begun preparing the material
13 that it intends to distribute to customers regarding
14 the way in which their rate options and rate
15 structures are going to change after the transition
16 period?

17 A We probably have been preparing that sort
18 of information for a number of years.

19 Throughout the transition period, our
20 key account people who deal with customers on a
21 regular basis have been asked questions about how
22 restructuring works in Illinois. There has been

1 numerous presentations to various groups around our
2 service territories historically, so there's been
3 many materials over the years that have been prepared
4 to address how the restructured environment will
5 actually operate.

6 Q Has Ameren met with staff or other
7 interested parties to discuss either the form or the
8 substance of that message?

9 A Of the messages I just spoke about in prior
10 years, a regular contact with key account people, is
11 that what you're asking?

12 Q That's correct.

13 A No, not that I'm aware of. We have an
14 ongoing dialogue with our customer base all the time.

15 Q Will there be specific communications with
16 a broad base of customers with regards to the way in
17 which their commodity rate options and rate
18 structures are going to change after the transition
19 period?

20 A Yes.

21 Q And has Ameren met with staff or other
22 interested parties with regards to that material?

1 A Not that I'm aware of.

2 Q Is it Ameren's position that neither staff
3 nor any other party should be able to review that
4 material prior to Ameren distributing it?

5 A Procedurally, I'm not sure that that would
6 be a very effective means of developing our
7 communications packages by circulating them across
8 the broad community in Illinois for input.

9 We certainly have nothing to hide. We
10 would be willing to share completed documents with
11 people on an informational basis.

12 Q Are you familiar with the integrated
13 distribution company rules?

14 A I certainly am. My department is
15 responsible for their compliance of Ameren.

16 Q What is the purpose of the IDC rules that
17 prohibit IDCs from advertising their commodity
18 products?

19 A Well, we certainly cannot promote our
20 commodity product over that of alternative retail
21 suppliers. We can't disparage the product offerings
22 of alternative retail suppliers. We show no

1 preference today.

2 Our call center people are trained and
3 have scripts that they deal with customers with so
4 that they do not show favoritism towards our product
5 offerings relative to other offerings from competing
6 suppliers.

7 Q Why is it important that they not show
8 favoritism?

9 A It's the rule. It's part of the Illinois
10 Code of Conduct, the IDC rules that prohibit us
11 showing favoritism towards utility supply options
12 vis-a-vis other alternatives.

13 Q So when you discuss the commodity rate
14 options and rate structures and the way that they're
15 going to change after the transition period, do you
16 also discuss other RES options?

17 A We discuss the fact that there's competing
18 suppliers competing for consumer business, that it's
19 part of the mix.

20 Q And how do you determine whether or not
21 there is any favoritism being shown for the utility
22 commodity rate options and rate structures as

1 compared to the RESs?

2 A Because in our communication pieces,
3 whenever we're discussing the rate options available,
4 we always make a point of advising customers that
5 they have competing options available.

6 Q Do you host -- I'm sorry. Strike that.

7 You said that you've hosted meetings
8 with customers to discuss their commodity rate
9 options, is that right?

10 A No. What I was referring to would be most
11 likely key account contacts where customers call up
12 an Ameren key account person and ask them, for
13 instance, what this procurement case is all about,
14 and, you know, we have had to respond to that,
15 explain to customers how the options are changing.

16 Historically over the years there's
17 been different groups that have sought out a
18 presentation by Ameren or somebody from Ameren as to
19 what this restructuring is all about, and so there's
20 been discussions with those groups, again, laying out
21 the premise that this is all about customer choice
22 and the customers have a choice of suppliers.

1 Q Has Ameren recorded any marketing expenses
2 associated with marketing its commodity products
3 since it's become an IDC?

4 A And now you're talking about the Ameren
5 utilities?

6 Q That's correct.

7 A No. We don't have a commodity marketing
8 function in the utility.

9 Q So anything that the Ameren utilities'
10 employees would have done previously would not have
11 had the impact of promoting the commodity rate
12 structure or rate options of the utility?

13 MR. FITZHENRY: Mr. Townsend, can you be more
14 clear about what you mean previously? Previously to
15 what point in time?

16 MR. TOWNSEND: I'm sorry. Since you've been
17 become an IDC up until today is what I meant by
18 previously.

19 MR. FITZHENRY: Thank you.

20 A Again, these are in the nature of ongoing
21 customer communications and, you know, that's where
22 they're recorded. They're not recorded as marketing

1 costs because they're not marketing messages.
2 They're simply more of the education, more of the
3 informative type of messages being delivered to
4 customers as to what customer choice means and what
5 their options will be.

6 Q Have those included taking clients out to
7 lunches, dinners, ball games?

8 A I don't really have knowledge of those
9 sorts of activities.

10 Q Would you agree if those sorts of
11 activities did occur that it might be difficult to
12 tell whether the action was a marketing action versus
13 educational action?

14 A Well, I can tell you that we have trained
15 all of our customer contact people in the IDC rules,
16 so consequently, they would be not only in violation
17 of an IDC rule if they turned that into a commodity
18 marketing meeting but they'd also be in violation of
19 corporate policy.

20 Q How would they go about turning it into a
21 marketing meeting if they were taking a client out to
22 lunch or dinner or a ball game?

1 A I don't know.

2 Q Wouldn't you suggest that, wouldn't you
3 agree that just by taking a client out to lunch or
4 dinner or a ball game that there is some level of
5 marketing that already would be going on?

6 MR. FITZHENRY: Is this a hypothetical,
7 Mr. Townsend, because Mr. Mill previously answered a
8 question he wasn't aware of those kind of activities
9 taking place in the first instance.

10 MR. TOWNSEND: I wasn't asking about a specific
11 instance.

12 MR. FITZHENRY: Well, is it a --

13 MR. TOWNSEND: It's a general question.

14 MR. FITZHENRY: Well, then I object to the
15 general question. The witness has already been asked
16 about do Ameren employees engage in these activities,
17 taking customers out to ball games and to lunches and
18 dinners, and he said he didn't know, so I think it's
19 inappropriate now to follow up with a question
20 assuming that to be the case.

21 MR. TOWNSEND: Fair enough. Then it is
22 intended to be in the form of a hypothetical.

1 MR. FITZHENRY: I thought so.

2 MR. TOWNSEND: Thank you.

3 Q Would you agree that if an Ameren utility
4 employee were to take a customer out to lunch or
5 dinner or a ball game, that by its very nature that
6 would be a marketing activity?

7 A No, I would disagree with that. You know,
8 we still have a delivery company. It's conceivable
9 that there might be a delivery business reason for a
10 customer to discuss a change in local facilities
11 connecting to their factory or business.
12 Conceivably, there could be a meeting like that. I'm
13 not saying that has never occurred. I am just not
14 aware of such a meeting.

15 Q If there were such a meeting, would you
16 agree that there could be a residual benefit to the
17 commodity side of the Ameren utilities?

18 A No, I don't agree with that.

19 Q You don't think that a customer might
20 attribute tickets to a ball game to be general
21 goodwill of the Ameren utilities on both the buyer
22 side and the commodity side?

1 A I think our customers are sophisticated. A
2 large customer presumably that you're talking about
3 here, they understand that we have a delivery role to
4 play. They understand that they can shop the
5 marketplace and often test the marketplace.

6 So typically, if they're meeting with
7 a utility employee -- this would always be the case
8 under an IDC -- the utility employee is indifferent.
9 He doesn't care where they buy their power supply.
10 It doesn't matter to him.

11 Q Would you agree that post-2006, it's likely
12 that smaller customers are going to have questions
13 with regards to their commodity rate options and rate
14 structures?

15 A That's possible.

16 Q Don't you think it's likely?

17 A They have options today.

18 Q Would you agree that their options are
19 going to change substantially post-2006?

20 A Not really. They'll have an ARES supply
21 option and they'll have a utility supply option.

22 MR. TOWNSEND: Just business as usual, huh?

1 No further questions. Thank you.

2 JUDGE JONES: Next? Mr. Rosen?

3 MR. ROSEN: Good afternoon, Mr. Mill. My name
4 is Larry Rosen and I represent the Citizens Utility
5 Board.

6 THE WITNESS: Good afternoon.

7 CROSS-EXAMINATION

8 BY MR. ROSEN:

9 Q Just to get through this quicker than
10 slower, could you turn to Page 12 of your rebuttal
11 testimony starting on Line 286, and this is your
12 testimony concerning renewable energy.

13 A I'm there.

14 Q I'm just trying to figure out exactly how
15 this works.

16 You certainly don't oppose the notion
17 of utilizing renewable energy, isn't that correct?

18 A That is correct.

19 Q And if I understand your testimony
20 correctly, it's not your suggestion, however, that
21 Ameren include renewable energy sources during the
22 auction process?

1 A My position is that they should be kept
2 outside of the procurement auction process.

3 Q And why is that?

4 A Well, because, first of all, it won't
5 complicate the auction process, and secondly, if kept
6 outside the procurement auction process, I believe
7 that there's a better opportunity for long-term
8 renewable projects to be established in Illinois.

9 Q And so you have an alternative proposal,
10 isn't that correct?

11 A Yes.

12 Q And what is your alternative proposal?

13 A The alternative proposal is one that we've
14 presented to the Commission and in public forums
15 several times, and that is where we would meet
16 voluntary goals for acquiring the renewable power.
17 We would enter into long-term contracts with the
18 winning bidders for providing that win power, and we
19 would recover that through a separate rate component
20 outside of the Rider D.

21 Q But your testimony indicates that you're
22 not going to be actually receiving delivery of the

1 energy created by those renewables?

2 A That was my testimony. We are still
3 preparing that tariff and supplier contracts, and we
4 have learned recently that there is an accounting
5 issue associated with Ameren not taking control or
6 title to that energy chain.

7 And so consequently, we are
8 contemplating now altering our proposal, our win
9 proposal, that we would actually be in the title
10 chain for the energy.

11 Q And at some point, do you plan on filing a
12 tariff reflecting those changes?

13 A Yes.

14 Q Do you know when that's going to take
15 place?

16 A No, I don't. We're still, as I indicated,
17 we're still working on the tariff and the logistical
18 issue surrounding this whole taking title of the
19 power and the supplier contracts.

20 Q Now, in one other portion of your testimony
21 you talk about the ICC process and reviewing the
22 auction and the auction results.

1 MR. FITZHENRY: Could you point to a particular
2 reference?

3 MR. ROSEN: Yeah, Page 10 of his rebuttal
4 starting on Line 235.

5 MR. FITZHENRY: Thank you.

6 Q BY MR. ROSEN: Mr. Collins has made a
7 proposal that the ICC have a formal proceeding each
8 year after the auction takes place, and you reject
9 that proposal, is that correct?

10 A Yes.

11 Q Now, I can't remember exactly where and
12 when, but there was some other testimony about at the
13 end of the third year or so, the ICC would have an
14 open formal proceeding to take a look at the auction
15 results among other things.

16 Do you recall that being proposed
17 anywhere or that testimony? Do you recall reading
18 that testimony anywhere?

19 A I'm like you, Mr. Rosen. I recall seeing
20 that somewhere. I can't recall which witness offered
21 that.

22 Q Well, how do you feel about the ICC

1 convening a formal proceeding on the third year of
2 the auction anniversary?

3 MR. FITZHENRY: You know, Mr. Rosen, let me
4 object because you're aware, are you not, that the
5 companies have entered into a stipulation with the
6 IIEC where there would be an annual review process as
7 Mr. Collins proposes in the first two years and then
8 a biennial review process afterwards, so in large
9 part, this line of questioning would be inappropriate
10 given that stipulation.

11 MR. ROSEN: I'm trying to get to another point.
12 That's all.

13 MR. FITZHENRY: Okay. If that's the case, I
14 withdraw my objection.

15 Q BY MR. ROSEN: And the basis of the three
16 year ICC review is based on the fact that there
17 exists more data, factual history on whether or not
18 the auction prices that result from the auction are
19 in line with true market prices.

20 Is that your understanding of why that
21 proposal was made?

22 A My recollection of the rationale behind

1 that proposal, I cannot recollect so I guess I can't
2 respond.

3 MR. ROSEN: Nothing further.

4 JUDGE JONES: Thank you, Mr. Rosen.

5 That may be it. I don't see anyone
6 else on the cross list here.

7 Is there redirect?

8 MR. FITZHENRY: Yes, Your Honor. I have some
9 brief redirect.

10 REDIRECT EXAMINATION

11 BY MR. FITZHENRY:

12 Q Mr. Mill, with regard to some questions
13 there were asked of you by Mr. Feeley, he asked you
14 whether or not you were able or had you in your
15 testimonies attempted to quantify the level of
16 switching that might take place post-2006.

17 Do you remember those questions?

18 A Yes.

19 Q Are you aware today, Mr. Mill, as to
20 whether or not there's any switching in the Ameren
21 Companies' service territories?

22 A There is some switching. We have some

1 industrial customers served by ARES.

2 Q Do you have any reason to believe that
3 post-2006 there will not be any switching?

4 A No.

5 Q And Mr. Feeley also asked you questions
6 about whether or not there was any specific tariff
7 language with regard to the SPA.

8 Do you recall those questions?

9 A Yes.

10 Q Have you testified previously in other rate
11 cases before the Commission?

12 A Yes, I have.

13 Q And do you recall times where the
14 Commission has entered an order requiring the company
15 to make tariff language changes?

16 A Yes, I have, many times.

17 Q And what occurs in those instances?

18 A Typically, the company puts together
19 language that's responsive to the Commission ordering
20 paragraphs, and we share those with the Commission
21 staff, work through the language to make sure it's
22 accurate, and staff and company almost all the time

1 that I ever recall reach an understanding of the
2 appropriate implementing language, and the tariffs
3 are filed.

4 MR. FITZHENRY: Thank you, Mr. Mill. That's
5 all the questions I have.

6 JUDGE WALLACE: Recross?

7 MS. SATTER: I have a follow-up question.

8 JUDGE JONES: Ms. Satter?

9 MS. SATTER: Thank you.

10 Good afternoon, Mr. Mill.

11 THE WITNESS: Good afternoon.

12 RE CROSS-EXAMINATION

13 BY MS. SATTER:

14 Q On redirect, Mr. Fitzhenry asked you about
15 switching in the Ameren service territory.

16 Would you agree with me that there is
17 no residential switching in those service territories
18 today?

19 A I would agree with that.

20 Q And to the best of your knowledge, there
21 are not any ARES, alternative retail electric
22 suppliers, authorized to serve residential consumers

1 in your service territories?

2 A I would agree subject to check.

3 Recently somebody has sought
4 certification I thought on that, but I'll accept that
5 subject to check.

6 Q But as far as you know today, there is no
7 switching among residential customers?

8 A That is true.

9 Q And is most of the switching for industrial
10 customers and commercial customers over one megawatt?

11 A That would be the majority of switching.
12 We do have customers under one megawatt that have
13 switched though.

14 Q But the majority is over?

15 A Yes.

16 MS. SATTER: Okay. Thank you.

17 JUDGE JONES: Other recross?

18 There is not. Thank you, Mr. Mill.

19 (Witness excused.)

20 MR. FITZHENRY: We call the next witness,
21 Mr. Will Cooper, please.

22 Good afternoon, Mr. Cooper.

1 WILBON L. COOPER
2 called as a witness herein, on behalf of Ameren
3 Companies, having been first duly sworn on his oath,
4 was examined and testified as follows:

5 DIRECT EXAMINATION

6 BY MR. FITZHENRY:

7 Q Good afternoon, Mr. Cooper.

8 Would you please state your full name
9 and business address?

10 A Wilbon L. Cooper, 1901 Chouteau Avenue,
11 St. Louis, Missouri 63166.

12 Q And, Mr. Cooper, by whom are you employed
13 and in what capacity?

14 A Ameren Services as manager of rate
15 engineering and analysis.

16 Q Mr. Cooper, have you caused to be prepared
17 for submission in these consolidated dockets certain
18 testimonies and exhibits?

19 A Yes, I have.

20 Q I first direct your attention to what's
21 been identified as Respondent's Exhibit 5.0 titled
22 "Direct Testimony of Wilbon L. Cooper" and ask if

1 that is indeed your direct testimony to be submitted?

2 A That is correct.

3 Q Does that consist of 40 pages of questions
4 and answers, sir?

5 A That is correct.

6 Q And did you also cause to be prepared
7 certain exhibits attached to your direct testimony?

8 A Yes, I did.

9 Q And would that include what's been
10 identified as Respondent Exhibit 5.1 CILCO, 5.1 CIPS,
11 and 5.1 IP as well as 5.2 CILCO, 5.2 CIPS, 5.2 IP,
12 and 5.3, 5.4 and 5.5?

13 A That is correct.

14 Q Were Respondent's Exhibits 5 through 5.5
15 prepared by you or under your direction and
16 supervision, Mr. Cooper?

17 A Yes.

18 Q I now turn your attention to what's been
19 titled "Rebuttal Testimony of Wilbon L. Cooper" and
20 identified for the record as Respondent's
21 Exhibit 15.0 and ask if that is intended to be your
22 rebuttal testimony in this proceeding?

1 A That is correct.

2 Q Does this testimony consist of 24 pages of
3 questions and answers?

4 A Yes.

5 Q And then finally, I direct your attention
6 to your surrebuttal testimony entitled "Surrebuttal
7 Testimony of Wilbon L. Cooper," Respondent's
8 Exhibit 22.0 and ask if that's intended to be your
9 surrebuttal testimony in this docket?

10 A Yes.

11 Q And does your surrebuttal testimony consist
12 of 23 pages of questions and answers?

13 A Yes, it does.

14 Q And again were both the rebuttal
15 testimonies and surrebuttal testimonies prepared by
16 you or under your direction and supervision?

17 A Yes.

18 MR. FITZHENRY: Your Honor, at this time, I
19 move for the admission of Respondent's Exhibits 5.0
20 through 5.5 as I described as well as Respondent's
21 Exhibit 15.0 and Respondent's Exhibit 22.0.

22 I'd note for the record again that the

1 direct testimonies of Respondent's Exhibit 5 through
2 5.5 were filed on e-docket on February 28th; that the
3 rebuttal testimony, Respondent's Exhibit 15 was filed
4 on e-docket on July 13, 2005, and surrebuttal
5 testimony, Respondent's Exhibit 22, was filed on
6 August 29, 2005.

7 And I now tender Mr. Cooper for
8 cross-examination.

9 JUDGE JONES: Any objections to those exhibits
10 being admitted?

11 Let the record show there are not.

12 Those exhibits are admitted,
13 Respondent's Exhibit 5.0, 5.1 CILCO, 5.1 CIPS, 5.1
14 IP, 5.2 CILCO, 5.2 CIPS, 5.2 IP, 5.3, 5.4, and 5.5.

15 Those are all admitted as filed on
16 e-docket on February 28, 2005.

17 (Whereupon Respondent's Exhibits
18 5.0, 5.1 CILCO, 5.1 CIPS, 5.1
19 IP, 5.2 CILCO, 5.2 CIPS, 5.2
20 IP, 5.3, 5.4 and 5.5 were
21 admitted into evidence at this
22 time.)

1 JUDGE JONES: Also admitted are Respondent's
2 Exhibit 15.0, rebuttal testimony filed July 13, 2005,
3 and Respondent's Exhibit 22.0, surrebuttal filed on
4 e-docket on August 29, 2005.

5 (Whereupon Respondent's Exhibits
6 15.0 and 22.0 were admitted
7 into evidence at this time.)

8 JUDGE JONES: Did I miss any?

9 MR. FITZHENRY: I don't believe so.

10 JUDGE JONES: The witness is tendered for
11 cross-examination, and I believe there are several
12 parties who plan to cross Mr. Cooper.

13 Who would like to go first? Who would
14 be willing to go first?

15 MR. FEELEY: Staff has no cross of Mr. Cooper.

16 JUDGE JONES: Mr. Townsend or Mr. Rosen?

17 MS. SATTER: Mr. Rosen stepped out.

18 JUDGE JONES: And IIEC?

19 MR. ROBERTSON: I think Chris just said he was
20 going to go first.

21 MR. TOWNSEND: Thank you, Your Honor.

22 Good afternoon, Mr. Cooper.

1 THE WITNESS: Good afternoon, Mr. Townsend.

2 MR. TOWNSEND: Chris Townsend appearing on
3 behalf of the Coalition of Energy Suppliers.

4 CROSS-EXAMINATION

5 BY MR. TOWNSEND:

6 Q Would you agree that Ameren's rates
7 should avoid providing a non-cost based advantage for
8 customers to elect power service from an Ameren
9 company to the detriment of competitive providers?

10 A As a general principle, I would say yes.

11 Q In fact, that is in your direct testimony
12 at Lines 103 to 105, correct?

13 A That's correct.

14 Q And why is that important?

15 A Consumers should be given proper price
16 signals with regard to the energy that they're
17 consuming.

18 If the Ameren Companies were to
19 essentially provide below market power costs,
20 consumers obviously would stick with the host utility
21 for their power and energy service versus going to
22 the market, and truly that would hamper or hinder the

1 development of retail power markets in the State of
2 Illinois.

3 Q Would you agree that distribution rates for
4 all customers should be synchronized so that
5 regardless of a customer's supply origination, that
6 is, regardless of whether the customer takes the
7 power purchase option, bundled service or RES supply,
8 the customer will pay the same distribution rates to
9 Ameren?

10 A If you're speaking solely of distribution
11 charges, my answer would be yes.

12 Q And such synchronization of rates is
13 appropriate to properly allow Ameren to track the
14 costs and ensure the costs are recovered from those
15 customers that caused the cost, correct?

16 A That is correct.

17 Q Would you agree that unbundled services
18 rate classes and bundled services rate classes should
19 be synchronized to facilitate the synchronization of
20 distribution rates?

21 A Could you rephrase that question, please?

22 Q That is to say that your bundled rate

1 classes should parallel your unbundled rate classes
2 so that you can line them up together.

3 If you've got a rate class on the
4 bundled side that is for a one to three megawatt
5 customer, you should also have a rate class on the
6 unbundled side for a one to three megawatt customer?

7 A That's not the current situation with
8 regard to the Ameren Companies.

9 The existing bundled rates as you know
10 have been in place for quite some time whereas the
11 wireless rates, the delivery service rates were
12 filed, oh, I can't recall the first year that they
13 were filed, so there might be some slight
14 discrepancies between the bundled rate classes and
15 the unbundled or wireless rate classes.

16 Q But would you agree that synchronizing
17 those rate classes would better facilitate
18 synchronizing the cost?

19 A That is correct, and that's what we're
20 proposing to do for post-2006.

21 And when I say bundled post-2006, I
22 like to use the phrase virtual bundled post-2006.

1 Q Would customers who purchase virtual
2 bundled service from the Ameren utilities be subject
3 to Rider D charges?

4 A If you're speaking of the customers at or
5 above one megawatt, that is the Ameren Companies'
6 proposal, that is correct, if they opt for service
7 from a RES or ARES.

8 Q Well, there would be no Ameren -- strike
9 that.

10 There would be no customer who
11 purchases generation from Ameren who would be subject
12 to the Rider D charges, correct?

13 A If a customer greater than one megawatt
14 opts for the LRTP product, the LRTP product does
15 include a Rider D charge along with a daily capacity
16 charge along with a locational marginal price based
17 energy charge.

18 Q So aside from those customers who are
19 taking the realtime pricing rate, no other Ameren
20 generation customers would be subject to Rider D
21 charges, is that right?

22 A No, that's not correct. Customers below

1 one megawatt who opt for the RTP product will also be
2 subject to the three charges I refer to under the
3 LRTP product.

4 Q I'm sorry. I thought that we had excluded
5 all of those customers who had chosen realtime
6 pricing.

7 A Okay. Then you are correct.

8 Q So the class of customers who get subjected
9 to Rider D are customers who take service from a RES
10 and customers who actually take service underneath
11 the LRTP rate?

12 A That is correct.

13 Q And Ameren wants to assess the RES
14 customers a charge under Rider D as a payment for
15 capacity bid to provide hourly service load, is that
16 correct?

17 A Not totally. The basic purpose of the
18 Rider D charge is to make it more likely that bidders
19 will bid on the LRTP product because the imposition
20 of Rider D will provide better certainty of cost
21 recovery associated with the providing of that
22 product, and those costs, of course, would be

1 capacity costs and what I'll refer to as
2 infrastructure costs with regard to having billing
3 personnel in place in order to offer that product.

4 Q So Rider D is intended to be a payment for
5 the capacity and the infrastructure and an incentive
6 payment, is that right?

7 A Let me restate that.

8 Q Well, did I properly characterize that,
9 that Rider D is intended to do three things: First,
10 be a payment for capacity; second, be a payment for
11 the infrastructure that you referred to; and third,
12 to provide an incentive for bidders to participate in
13 that bidding for that product?

14 A In general, that's correct.

15 Q And ComEd is going to provide a similar
16 product to Ameren's LRTP, isn't that correct?

17 A That's my understanding.

18 Q And it similarly will act as a default for
19 its larger customers, correct?

20 A That I'm not certain of. There may be some
21 distinction between ComEd and Ameren with regard to
22 the term load serving entity but that's outside my

1 area of expertise, but I believe there is some
2 distinction.

3 Q Well, you are aware that ComEd hasn't
4 proposed a charge similar to Rider D, right?

5 A That I am aware of.

6 JUDGE JONES: I just want to make sure the
7 question was captured in the transcript.

8 Could you read that question back?

9 (Whereupon the reporter read
10 back the last question.)

11 JUDGE JONES: Hasn't?

12 THE WITNESS: ComEd has not, that is correct.

13 JUDGE JONES: Thank you.

14 Q BY MR. TOWNSEND: What does Ameren know
15 that ComEd doesn't?

16 MR. FITZHENRY: Object to the form of the
17 question. It's vague. It's argumentative. It's
18 irrelevant.

19 JUDGE JONES: Response?

20 MR. TOWNSEND: Well, I don't know why it would
21 be considered vague. I thought that it was pretty
22 straightforward. I didn't think I was being overly

1 argumentative. I meant to ask it nicely, and I
2 didn't think that I was picking a fight with the
3 witness here, and I think it is relevant because
4 you've got two utilities that have got pretty much
5 the same product that they're putting forward.

6 One of them has an extra vigorish
7 associated with Rider D, associated with providing
8 this type of service, and this utility doesn't, so if
9 this witness knows of something that they know that
10 ComEd doesn't know, I'd like to know that he knows
11 that they know something that ComEd doesn't know.

12 JUDGE JONES: The objection is sustained. I
13 believe the question is a little too vague.

14 Q BY MR. TOWNSEND: If there were no Rider D
15 charge and no customer were to take hourly service,
16 would Ameren owe the wholesale bidder any money? I'm
17 talking about the wholesale bidders for the LRTP
18 product.

19 A Ameren would not owe the wholesale bidders
20 any money.

21 Q But if Rider D were approved and no
22 customer were to take hourly service, Ameren would

1 owe the wholesale bidders money, correct?

2 A Repeat the question, please.

3 Q If Rider D were approved but no customer
4 took the hourly service, Ameren would owe the
5 wholesale bidder money, correct?

6 A No, Ameren would not.

7 Q So the bidder will only get paid if someone
8 takes the service underneath your proposed Rider D?

9 A That is correct. Any funds collected under
10 Rider D will be a pass-through dollar for dollar to a
11 successful bidder or bidders.

12 Q Did Ameren present a cost study to justify
13 the level of its proposed Rider D charges?

14 A A specific cost study, no. However, as
15 stated in my --

16 Q Thank you.

17 Was the level of this charge
18 established through a market-based methodology? Did
19 you take it out to bid?

20 A I would say it was established from a
21 market-based methodology perspective concerning we
22 took it from the New Jersey markets, so, yes, to some

1 extent.

2 Q Well, you just lifted it from the New
3 Jersey markets. You didn't test whether that same
4 market was necessary in Illinois, did you?

5 A The presumption was that if it was working
6 in New Jersey and getting bidders to bid on the LRTP
7 product, it would make it more likely that we would
8 get bidders in Illinois on the LRTP product.

9 Q But you didn't do any analysis -- strike
10 that.

11 You did not base it upon Illinois
12 data, is that correct?

13 A That is correct.

14 Q Is the way in which you set the Rider D
15 level of charges consistent with the way in which
16 other charges have been developed historically by the
17 Ameren utilities?

18 A To some extent, yes. For example, if you
19 look at the Ameren Companies insufficient funds
20 charge in its tariff book, we look at our costs for
21 processing the bad checks, but we also look to see
22 what's taking place in the market with regard to what

1 other institutions or companies are charging for
2 customers who write bad checks, so to some extent,
3 yes.

4 Q But in this case, you didn't look at your
5 own costs, correct?

6 A We had no basis for establishing what our
7 own costs would be.

8 Q Would you agree that there are many risks
9 that suppliers will consider in placing their bids?

10 A Could you explain what you mean by many
11 risks or what some of those risks might be?

12 Q That was actually going to be my next
13 question.

14 Do you know of other risks that
15 suppliers will accept when placing their bids?

16 A Yes.

17 Q What are some of those risks?

18 A Risk of load uncertainty, risk of market
19 price changes, risk of abnormal weather, risk of
20 customers switching from company supply to RES
21 supply; those types of risk.

22 Q You're not advocating that these other risk

1 premiums be calculated by way of an additional rider,
2 are you?

3 A Those risk premiums are likely reflected in
4 the bid prices that will be submitted as part of the
5 auction process.

6 Q Is it conceivable that suppliers can simply
7 bid in a price that would cover any perceived risks
8 associated with providing the BGS-LRTP product? Is
9 that possible?

10 A Could you repeat the question, please?

11 Q Is it possible that suppliers can simply
12 bid in a price that will cover any perceived risks
13 associated with the BGS-LRTP product?

14 A Not necessarily in that if there are no
15 takers of a product and if there are customers that
16 are served by a RES and for some reason a RES supply
17 is discontinued.

18 Q So it's not conceivable that a bidder could
19 develop a bid that would cover those risks?

20 A Well, I guess anything is possible.

21 Q If you could turn in your surrebuttal
22 testimony, please, to Lines 269 to 271 and let me

1 know when you're there.

2 A Okay. I am there.

3 Q And there you talk about this risk, and you
4 say that without the approval of Rider D, the Ameren
5 Companies "run the risk of not having any bidders for
6 the BGS-LRTP product," correct?

7 A That's correct.

8 Q You haven't presented any empirical
9 evidence to suggest that the failure to include a
10 Rider D charge would result in there not being any
11 bidders for the BGS-LRTP product, have you?

12 A No, I have not.

13 Q You haven't presented any quantitative
14 analysis of the risks of not having any bidders for
15 the BGS-LRTP product, have you?

16 A No. It's just intuitive, again, that with
17 the application of a Rider D, it's more likely that
18 bidders will bid on a product due to the bidder
19 certainty of some recovery of the costs that we
20 referenced earlier.

21 MR. TOWNSEND: Move to strike all of the answer
22 after no.

1 MR. FITZHENRY: I disagree, Your Honor. May I
2 respond?

3 JUDGE JONES: Yes.

4 MR. FITZHENRY: I think in some circles there's
5 an equivalence between quantitative analysis and
6 intuition. They're not dissimilar.

7 Mr. Townsend asked him whether or not
8 he's done any quantitative analysis. I suggest that
9 Mr. Cooper's intuition suffices in that regard.

10 JUDGE JONES: Mr. Townsend?

11 MR. TOWNSEND: Your Honor, if there's no
12 difference between a quantitative analysis and an
13 intuitive feeling, I guess I've been looking at the
14 wrong dictionary.

15 JUDGE JONES: What was your question again?

16 MR. TOWNSEND: The question that I asked was
17 whether he had presented any quantitative analysis of
18 the risk of not having any bidders for the BGS-LRTP
19 product. First he said no, and then he said I did
20 kind of feel this way though with my intuitive
21 analysis.

22 JUDGE JONES: The motion is granted. The rest

1 of the answer is stricken.

2 I'm not one to regard a lot of
3 questions as ones that can be answered with yes or no
4 answers. I think one test is whether the response
5 was in response to the question that was asked. I
6 believe that one went beyond that so that's the
7 ruling.

8 Q BY MR. TOWNSEND: Similarly, at Lines 208
9 to 212, you testify that Rider D will increase the
10 probability of suppliers bidding on the BGS-LRTP
11 product, correct.

12 A That is correct.

13 Q But you haven't presented any survey of
14 potential suppliers, have you?

15 A No, I have not.

16 Q You have not even testified regarding any
17 specific conversations that you've had with suppliers
18 regarding Rider D, have you?

19 A That is correct.

20 Q And you don't really know whether any
21 particular supplier will or will not bid on the
22 BGS-LRTP product, do you?

1 A No, I do not.

2 Q And that's true regardless of whether the
3 Commission approves Rider D as proposed by the
4 company, correct?

5 A That is correct.

6 Q At Lines 222 to 224 of your surrebuttal
7 testimony, you state that customers may consider this
8 a "small price to pay" for "certainty" of the
9 BGS-LRTP product, correct?

10 A That is correct.

11 Q Are you stating that customers will not be
12 provided a default service unless the Commission
13 approves this Rider D charge?

14 A I can't say that with certainty. Again,
15 bidders may bid on the product absent the Rider D
16 charge, but the company's proposal again assumes that
17 there will be bidders under the LRTP product.

18 If there are no bidders, then we'll
19 have to come up with some alternative to essentially
20 serve customers who either want the LRTP product or
21 who have RES service and then default to company
22 supply.

1 Q You're not going to turn off the lights
2 though, right?

3 A That's physically impossible; not
4 immediately anyway.

5 Q You meant that sarcastically?

6 A Did I mean that we would not turn them off
7 immediately?

8 Well, if they default to company
9 supply for example and if they don't pay their bills,
10 it's possible they could be disconnected.

11 Q That's the circumstance under which they
12 would be?

13 A That's correct.

14 Q Not whether or not a Rider D is approved.

15 A That's correct.

16 Q It's just that the transcript doesn't have
17 a sense of humor sometimes. That's all.

18 You did not present any customer
19 survey regarding whether customers would, in fact,
20 consider this to be a "small price to pay," do you?

21 A No, I did not.

22 Q And it's not your testimony that it's all

1 right for Ameren to impose unjustified charges just
2 because Ameren perceives them to be small, is it?

3 A I don't think we propose any unjustified
4 charges.

5 Q But if it wasn't justified, then Ameren
6 shouldn't charge it, right?

7 A That's correct.

8 Q And again, you still agree with the
9 statement that Ameren's rates should avoid providing
10 a non-cost based advantage for customers to elect
11 power service from an Ameren company?

12 A That's correct.

13 Q Do you believe that it's likely that there
14 will be some migration risk premium included in the
15 market clearing price from the auction?

16 A I don't know, Mr. Townsend, considering the
17 limited level of switching within the Ameren Illinois
18 footprint. I don't know.

19 I'm sorry. Let me back up. Which
20 customer group are you speaking of?

21 Q Well, let's take an example.

22 A Okay.

1 Q Let's assume there were just two classes of
2 customers, okay?

3 A Yes.

4 Q The first class of customers, 90 percent of
5 the customers indicated that they are willing to
6 switch suppliers.

7 Are you with me so far?

8 A Yes.

9 Q And in the second class, less than one
10 percent of the customers had indicated that they're
11 willing to switch suppliers, okay?

12 A Yes.

13 Q In such a situation under the auction
14 structure that Ameren has proposed for BGS-LP, all
15 else being equal, would you anticipate that if there
16 were separate auctions for the two classes that a
17 supplier would bid more for supplying the first class
18 than the second class?

19 A All other things being equal, that would be
20 correct.

21 Q So you'd agree that suppliers will take
22 into account migration as a risk, correct?

1 A To the extent they can quantify that, yes.

2 Q Will you agree that historically, smaller
3 customers have shown less of a propensity to switch
4 suppliers than large customers?

5 A Could you define smaller versus larger,
6 please?

7 Q Just as a general matter.

8 A Well, I'll come up with my own definition
9 then.

10 Smaller residential customers have
11 shown a lower propensity to switch than customers,
12 for example, greater than a megawatt.

13 Q And residential customers have shown no
14 propensity to switch while commercial and industrial
15 customers have shown a propensity to switch, correct?

16 A Within the Ameren footprint, that is
17 correct.

18 Q Would you agree that without any allocation
19 of the migration risk premium, smaller customers such
20 as the residential customers would pay a
21 proportionate share of the migration risk premium?

22 A If indeed there is a risk premium that

1 should be applied, that would be correct.

2 Q Well, when we talked earlier, you said that
3 there was a premium associated with -- well, strike
4 that.

5 Well, is it conceivable that suppliers
6 will assume that more switching will occur
7 post-transition than historically has occurred in the
8 Ameren service territories?

9 A No. I think I would agree with Mr. Mill's
10 statement earlier, and that is that customers have
11 the opportunity to switch today.

12 I wouldn't want to forecast if we'll
13 see additional switching post-2006 or at the same
14 level of switching that we're seeing today.

15 Q Well, in fact, Mr. Nelson testified that he
16 believes there are changes going on in the wholesale
17 market which will encourage customers switching
18 post-2006, correct?

19 A I was not here for Mr. Nelson's testimony.

20 Q Have you read Mr. Nelson's testimony?

21 A I have read it, but I have not committed to
22 memory the testimony of all the Ameren witnesses in

1 this case.

2 Q Is it conceivable that suppliers will
3 assume that more switching will occur
4 post-transition?

5 A It's conceivable, yes.

6 Q Would you say that the load profile of the
7 400 kW to one megawatt customer group is more like
8 that of the customer group over one megawatt or like
9 that of residential customers?

10 A I haven't done a quantitative analysis to
11 make that determination.

12 What I would suggest based upon years
13 of experience is that the load profile for customers
14 in the 150 kW to 999 kW group is fairly homogeneous,
15 and that was one of the factors that we looked at in
16 developing that particular customer class.

17 Q Okay. But in looking at just the 400 to
18 one megawatt customer group, would you say that that
19 customer group is more like the customer group over
20 one megawatt or more like residential customers?

21 A More like the customer group over one
22 megawatt than residential customers. It's

1 nonresidential load.

2 Q Does Ameren have sample interval meters
3 deployed within the 400 kW to one megawatt customer
4 group?

5 A Yes, there are some load profile meters in
6 place for that customer group.

7 Let me follow up on that just a little
8 bit.

9 There are meters out there, but the
10 sample design for the meters out there today would
11 not be statistically valid if you were to try to use
12 that to make a determination with regard to what the
13 load profiles of customers in the 400-kilowatt to
14 one-megawatt group would be.

15 Q How many sample meters are out there?

16 A I don't have that data with me.

17 Q Why are there so few sample interval meters
18 deployed for that customer group?

19 A You attempt to minimize costs when you're
20 looking at developing load profiles or getting good
21 load research data for a particular customer class,
22 and I believe the confidence level that we use is 90

1 percent, and you put the minimum number of meters out
2 there in order to achieve that level of confidence so
3 you control your cost.

4 Q So that is the level of confidence that you
5 currently have for that class of customer?

6 A No, that is not correct. That's the level
7 of confidence that we have for the current customer
8 groups that have been in place for quite some time.

9 We have not gone out and sampled the
10 400 kW to one megawatt group in order to validate,
11 I'm sorry, in order to determine load profiles for
12 that particular group of customers.

13 The sampling was done based upon
14 existing customer classes.

15 Q So you have the data for 150 kW to one
16 megawatt but you don't have it for 400 kW to one
17 megawatt, is that correct?

18 A We have data, load research data for our
19 existing service classifications. We have not
20 resampled to reflect the post-2006 customer
21 classifications that we're proposing as part of this
22 case.

1 Q Does the load profile of the 400 kW to one
2 megawatt group in Ameren -- strike that.

3 Does the load profile of the
4 commercial and industrial customers less than one
5 megawatt in Ameren differ in some significant way
6 from that same group in ComEd?

7 A No.

8 Q Would it be reasonable to think that it
9 wouldn't differ much?

10 A It may differ a bit. The weather is a bit
11 different in Chicago than it is farther south, so it
12 could be a bit different.

13 Q But it would be generally the same you
14 would anticipate?

15 A General is a relative term so I'd say I
16 don't know. Oh, generally, I'm sorry, is a relative
17 term.

18 Q Right. I'm asking you to use your
19 intuitive analysis to answer whether you believe that
20 generally they would be the same.

21 A I would say --

22 MR. FITZHENRY: I object. I object. I object.

1 He's asked this question now twice. Twice Mr. Cooper
2 said he doesn't know. This is now the third time.

3 MR. TOWNSEND: Well, I've asked him now to do a
4 different type of analysis. I want him to use his
5 intuition in order to come up with his answer, and so
6 focusing on that intuition, I want him to come up
7 with his answer whether or not he thinks that
8 generally it's reasonable to think that those
9 customers don't differ much in their usage patterns.

10 JUDGE JONES: What was the question?

11 MR. TOWNSEND: Do you think that generally --
12 I'm sorry.

13 Using your qualitative intuitive
14 analysis, do you think it would be reasonable to
15 think that the customers usage profile for that
16 customer group does not differ much between the
17 Ameren service territory and the ComEd service
18 territory.

19 JUDGE JONES: Quantitative intuitive analysis?

20 MR. TOWNSEND: No, I'm sorry; qualitative
21 intuitive.

22 JUDGE JONES: Well, I tell you what, go ahead

1 and ask him a question and we'll see if it will draw
2 the same objection. I don't really want to reach
3 back into the transcript there or potential
4 transcript and try to resurrect that one right now,
5 so ask the question and we'll see if there's still an
6 objection to it.

7 Q BY MR. TOWNSEND: Using a qualitative
8 intuitive analysis, do you think it would be
9 reasonable to conclude that the load profile of the
10 400 kW to one megawatt group in Ameren does not
11 differ in some significant way from that same group
12 in ComEd?

13 JUDGE JONES: Now, is that the same objection?

14 MR. FITZHENRY: I don't have an objection to
15 that question. It seems different than the prior
16 question.

17 JUDGE JONES: All right. Mr. Cooper?

18 THE WITNESS: Thank you.

19 Actually, it may differ. Commonwealth
20 service territory is pretty much concentrated, as you
21 know, in the Chicago area. The Ameren Companies are
22 more I'd say somewhat urban, suburban, and rural, so

1 the customer mix commercial versus industrial may be
2 very much different in that group of 400 kW up to one
3 megawatt and the load profiles could be very much
4 different. I don't know.

5 Q BY MR. TOWNSEND: Are the customers in the
6 400 kW to one megawatt group more, equally, or less
7 likely to migrate than residential customers?

8 A Migrate from what to what?

9 Q Migrate from utility service to RES service
10 in a post-transition world.

11 A Yes.

12 Q I'm sorry. Yes meaning you think they are
13 more likely or less likely or equally likely?

14 A I would say more likely because I suspect
15 that they will be solicited by various RESs and the
16 ARES for power and energy service.

17 Q If the 400 kW to one megawatt customers
18 have a higher propensity to migrate away from utility
19 service and to RES service than residential
20 customers, does this not mean that keeping them in
21 the same auction product group without a migration
22 risk premium allocation method will mean that the

1 residential customers will bear a greater portion of
2 that cost than they should?

3 A No.

4 Again, as I stated, they probably are
5 more likely to have the opportunity to migrate or
6 switch from utility service to RES or ARES service
7 but we don't have the experience at this time to
8 determine what that factor or what that migration
9 factor should be, and at some other time, we can take
10 a second look at this, and if it warrants an
11 application of a migration factor into the rate
12 prism, then we will accommodate that.

13 Q I'm sorry. Maybe I should have prefaced
14 this by clarifying that this was a hypothetical,
15 okay? Are you with me? I'm treating this as a
16 hypothetical question.

17 A Yes.

18 Now repeat the question if you don't
19 mind, please.

20 Q If the 400 kW to one megawatt customers
21 have a higher propensity to migrate -- that will be
22 the hypothetical part, okay? Are you with me so far?

1 A Yes.

2 Q And that higher propensity is in comparison
3 to the residential customers, okay?

4 A Yes.

5 Q If those customers in the 400 kW to one
6 megawatt group are kept in the same group as the
7 residential customers, then doesn't that mean that
8 keeping them together without a migration risk
9 premium allocation method will mean that residential
10 customers would bear a greater portion of that cost
11 than they should?

12 A That is correct for your hypothetical.

13 Q Are you the correct witness to ask about
14 the enrollment window or would those questions be
15 more appropriately addressed to Mr. Blessing?

16 A Mr. Blessing is scheduled for tomorrow. If
17 you don't mind, you can ask the questions and I'll
18 try to answer them. If I can't, then I'll defer to
19 Mr. Blessing.

20 Q All right. How did Ameren determine that
21 30 days was a good number of days to keep the window
22 open?

1 A The basis for the 30-day open enrollment
2 period again is to get the overall lowest cost for
3 the LMP product.

4 A window of longer than 30 days will
5 likely result in higher costs.

6 Q If the focus was just on cost, wouldn't a
7 one-day enrollment window yield a lower cost than a
8 30-day enrollment window?

9 A That was the primary focus. Again, you
10 have to balance the goal, the primary goal of getting
11 the overall lowest cost with regard to the
12 administration that's necessary in order for
13 customers to enroll for the product.

14 Q What do you mean by the administration
15 necessary?

16 A Well, a customer will have to evaluate
17 whether they want company supply or RES or ARES
18 supply. Again, they will need some time period in
19 order to do that.

20 One day I believe would be a bit too
21 short.

22 Q How many customers did Ameren survey to

1 determine how long customers need in order to
2 evaluate how long it takes to -- I'm sorry.

3 How many customers did Ameren survey
4 in order to make the determination of how long
5 customers need in order to evaluate the different
6 options?

7 A We didn't survey any. However, the Ameren
8 IP market value index PPO tariff has about 500
9 customers, and they have a 30-day period for which
10 they can enroll for the PPO option.

11 Q How many ARES and RES did Ameren survey?

12 A To my knowledge, we did not survey any.

13 Q Did Ameren perform a formal cost benefit
14 analysis to determine the length of the enrollment
15 window?

16 A I'm not aware of any.

17 Q What would happen if customers do not have
18 enough time to decide?

19 A Well, I guess one of two things. They will
20 either stick with the company supply or they will opt
21 for the RES supply and maybe they don't make a good
22 economic decision, but again, the 30-day period is

1 the period for the open enrollment.

2 Surely there will be time before that
3 where customers can evaluate with marketers their
4 power and energy supply options.

5 Q But they won't have the prices until the
6 auctions occur, correct?

7 A That is correct.

8 Q And it's possible that even the auction
9 products could change up until the time that the
10 auctions are run, correct?

11 A That question I'll defer to Mr. Blessing.

12 Q What would happen if customers have too
13 much time to decide?

14 A My expectation is that prices would be
15 higher, and I would add that in that situation, the
16 customers who opt for RES service, I'm sorry, the
17 customers who opt for company supply will likely see
18 higher prices at the expense of the customers with
19 the longer period who made the decision to opt for
20 RES supply.

21 Q Has Ameren performed any quantitative
22 analysis to determine the impact, if any, a longer

1 enrollment window would have on the rate charged to
2 customers?

3 A Not that I'm aware of but you may want to
4 ask Mr. Blessing that question also.

5 Q Would you agree that the descending clock
6 auction would minimize whatever premium there might
7 be resulting from a theoretical calculation of a risk
8 premium associated with the enrollment window?

9 A I'll defer all questions with regard to the
10 descending clock auction to Mr. Blessing.

11 Q Are you aware that ComEd's current PPO has
12 a 75-day window?

13 A I believe I heard testimony to that effect
14 earlier this week.

15 Q Would you agree that there's more customers
16 switching in the ComEd service area than in the
17 Ameren service area?

18 MR. FITZHENRY: I'm going to object unless
19 there's been a foundation laid that Mr. Cooper would
20 have any basis for this kind of knowledge regarding
21 switching to a ComEd service territory beyond maybe
22 what he's heard from other witnesses.

1 MR. TOWNSEND: If you know.

2 MR. FITZHENRY: If the question is if he
3 himself has personal knowledge of these matters, then
4 it's fair game.

5 MR. TOWNSEND: I think it's actually fair game
6 even if he doesn't have personal knowledge.

7 JUDGE JONES: All right. The question may have
8 changed a bit. What's the current version of that
9 question? We'll kind of go from there.

10 Q BY MR. TOWNSEND: Are you aware that
11 customer switching occurs at a higher level in the
12 ComEd service area than in the Ameren service area?

13 A I have not seen any data along that line so
14 I have no personal knowledge.

15 Q Do you have a general sense?

16 A Based upon what I heard earlier this week,
17 I believe that's correct.

18 Q Up until this week, you didn't know and you
19 hadn't heard that?

20 A Well, I'm pretty busy at Ameren. I
21 typically focus on Ameren matters as opposed to ComEd
22 matters.

1 Q Do you think that there are lessons that
2 Ameren can learn from the ComEd system?

3 A To the extent that there is precise
4 similarities between what's taken place on the ComEd
5 system and what is or has taken place on the Ameren
6 system, yes.

7 Q Or how about going forward; if ComEd has
8 proposed something similar, then couldn't Ameren
9 learn from that also?

10 A It could learn in the affirmative, and it
11 could learn in the negative sense also.

12 Q Under Ameren's auction proposal, will
13 designated agents be allowed to enroll customers onto
14 the PPO?

15 A I don't have an answer to that. I don't
16 know.

17 Q Is that a Mr. Blessing question?

18 A Possibly.

19 Q Are you aware of the practice of companies
20 acting as agents for customers?

21 A Yes.

22 Q But you could not describe the required

1 paperwork for a customer or RES to submit an order
2 for a RES to act as an agent?

3 A My general understanding is that they would
4 submit a DASR, but that's outside my area of
5 expertise. I'm not very familiar with how that
6 process works.

7 Q Again, Mr. Blessing?

8 A Maybe not.

9 MR. TOWNSEND: No further questions. Thank
10 you.

11 JUDGE JONES: Off the record briefly.

12 (Whereupon an off-the-record
13 discussion transpired at this
14 time.)

15 JUDGE JONES: Back on the record.

16 I believe the idea at this point is we
17 will finish up cross.

18 I believe Mr. Robertson is next and
19 we'll ask him to ask his questions.

20 MR. ROBERTSON: Thank you.

21 CROSS-EXAMINATION

22 BY MR. ROBERTSON:

1 Q Mr. Cooper, could you refer to Page 5 of
2 your direct testimony, Lines 103 and 105?

3 Are you there?

4 A Yes, I am.

5 Q Is it your understanding that Ameren has an
6 obligation to serve all customers, residential and
7 nonresidential, with power and energy?

8 A That is correct.

9 Q And to your knowledge, has any service of
10 Ameren been declared competitive?

11 A I speak with certainty for AmerenCIPS and
12 AmerenCILCO, and I believe the same statement is true
13 for Ameren IP but I'm not sure.

14 Q And when you say you speak with certainty,
15 to the best of your knowledge, no service has been
16 declared competitive, is that right?

17 A That's right.

18 Q At Page 21 of your surrebuttal, Lines 468
19 to 472...

20 MR. FITZHENRY: What was the line reference,
21 Eric?

22 MR. ROBERTSON: I think it's 468 to 472.

1 MR. FITZHENRY: Thank you.

2 MR. ROBERTSON: Are you there?

3 THE WITNESS: Yes, I am.

4 Q There you state that Ameren thinks that
5 under certain circumstances there could be uneconomic
6 switching, is that right?

7 A That is correct.

8 Q Why would Ameren care about uneconomic
9 switching?

10 A Well, two reasons.

11 Again, your prices for power and
12 energy should reflect the costs associated with
13 providing that power and energy, and also, Ameren is
14 very supportive of the development of retail
15 competition within the State of Illinois.

16 And to the extent that the power and
17 energy price offerings provided by Ameren reflect
18 market prices and do not provide a competitive
19 advantage, then surely that will help that process.

20 Q So just so I understand it, it's your
21 position that the Ameren proposal will produce market
22 prices that will be charged to customers and will not

1 produce a competitive advantage for Ameren, is that
2 correct?

3 A That is correct.

4 Q Now, with regard to Rider D, if I
5 understand your testimony, it is your position that
6 Rider D will result in -- strike that.

7 Is it your position that Rider D will
8 result in the elimination of a premium in the bid
9 price for capacity in the auction?

10 A Generally speaking, yes. I guess the
11 statement is that with Rider D, the capacity charge
12 thus included as part of the LRTP product would
13 likely be lower.

14 Q Now, can you explain to me how we will know
15 that a bidder has excluded from his bid some value
16 equal to the Rider D charge?

17 A There will be no precise way to know that,
18 but in the bidding process, one would think that the
19 competing bidders again will recognize if indeed
20 there is a Rider D type charge that there is an adder
21 as part of the LRTP product, and surely that should
22 come into play when they're submitting their bids.

1 Q Well, if the winning bidder is assured that
2 he's going to receive the Rider D charge, why would
3 he have any incentive to eliminate any portion of the
4 premium from his bid?

5 A Well, my assumption would be that a bidder
6 that ignored the Rider D charge and submitted a
7 premium as part of his or her bid would not likely
8 get the bid.

9 The bidder that recognized the Rider D
10 application would likely submit a lower capacity
11 charge for the LRTP product and be the winning
12 bidder.

13 Q Would you agree or disagree -- strike that.

14 Are there potential suppliers who are
15 participating in this proceeding?

16 A Yes.

17 Q To your knowledge, has any potential
18 supplier indicated that they require Rider D in the
19 context of this proceeding in order to participate in
20 the hourly capacity auction?

21 A Not to my knowledge.

22 Q And New Jersey put this Rider D in place

1 from the very beginning of its auction, is that
2 correct?

3 A That's my understanding, yes.

4 Q So nobody in New Jersey knows whether they
5 would have had any bidders in the auction had there
6 been no equipment for Rider D, is that correct?

7 A I would say yes, but as stated in my
8 surrebuttal testimony, the Board of Public Utilities
9 in New Jersey, even though they discontinued the
10 Rider D charge per se, they did extract funds from
11 another account to remit to bidders for the LRTP
12 product in the equivalent of the .015 cents per
13 kilowatt hour.

14 Q Well, human nature being what it is, once
15 the bidders know that they're going to receive this
16 subsidy and have received it, don't you think it's
17 likely that they would continue to argue for its
18 application going forward?

19 A I wouldn't characterize it as a subsidy. I
20 would suggest that they would surely like to see the
21 continuation of the Rider D type charge in order to
22 make it more certain that there would be recovery of

1 some costs associated with providing capacity for
2 that product.

3 MR. ROBERTSON: I have nothing further.

4 JUDGE WALLACE: Mr. Fitzhenry, are you going to
5 have redirect?

6 MR. FITZHENRY: Could I have a few minutes with
7 the witness, please?

8 JUDGE JONES: Yes. At this time everybody take
9 a five-minute break and then we'll proceed with
10 redirect after that.

11 (Recess taken.)

12 JUDGE JONES: Back on the record.

13 Mr. Fitzhenry, any redirect?

14 MR. FITZHENRY: No redirect, Your Honor.

15 JUDGE JONES: Thank you, Mr. Cooper.

16 (Witness excused.)

17 MR. FLYNN: Judge, our next witness on the list
18 is Mr. Moloney for whom there was no
19 cross-examination, and it was agreed that his
20 testimony could come in by affidavit, and earlier
21 today, we did file on e-docket an affidavit for
22 Mr. Moloney and served that on the parties via

1 e-mail.

2 JUDGE JONES: You want to go ahead and take
3 care of that?

4 MR. FLYNN: I did. I thought we could just
5 take care of that this afternoon.

6 In addition, there was one party, J.
7 Aron and Morgan Stanley Capital Group, that in lieu
8 of cross-examination of Mr. Moloney wanted a data
9 request response admitted into the record, and we
10 have copies of that to distribute as well.

11 JUDGE JONES: Is that something that has not
12 yet been distributed?

13 MR. FLYNN: It has not yet been distributed as
14 an exhibit. It was a data request response that was
15 served on the parties.

16 MR. FEELEY: Staff also had a data request,
17 Ameren FD 4.01 which Mr. Moloney was responsible for
18 in lieu of cross. We're going to have that marked as
19 a staff cross exhibit.

20 JUDGE JONES: And neither of these has been
21 marked yet, is that correct?

22 MR. FEELEY: That has not been.

1 JUDGE JONES: All right. Copies are being
2 handed out at this time.

3 MR. FLYNN: Do you want me to run through our
4 exhibits for Mr. Moloney first?

5 JUDGE JONES: We could do that while parties
6 are looking at the cross exhibits.

7 Now, how many -- do you have some too?
8 And these are relative to Mr. Moloney also or for
9 somebody else?

10 MR. FEELEY: Mr. Moloney. This will be Staff
11 Cross Exhibit -- I don't know what number we last
12 left off on.

13 JUDGE JONES: The J. Aron exhibit, has that
14 been provided to the court reporter, and do you have
15 a marking on that that you'll be intending to use?

16 MR. FLYNN: It has now been provided to the
17 court reporter.

18 JUDGE JONES: I believe you're right.

19 MR. FLYNN: And that is being marked as MSCG
20 Ameren Cross Exhibit No. 2.

21 (Whereupon MSCG Ameren Cross
22 Exhibit 2 was marked for

1 identification as of this
2 date.)

3 JUDGE JONES: All right. While other parties
4 are looking over those potential exhibits, you can go
5 ahead with your --

6 MR. FLYNN: Yes, Judge.

7 In this case, we submitted the
8 rebuttal testimony of Timothy Moloney which was
9 marked as Respondent's Exhibit 14.0 and filed via
10 e-docket on July 13, 2005 and the surrebuttal
11 testimony of Timothy Moloney marked as Respondent's
12 Exhibit No. 21.0 filed on e-docket on August 29,
13 2005, and then today on e-docket we filed an
14 affidavit of Mr. Moloney attesting to his rebuttal
15 and surrebuttal testimony, and we are offering the
16 affidavit as Respondent's Exhibit 21.1. That was
17 served on the parties via e-mail today.

18 JUDGE JONES: Was that filed on e-docket?

19 MR. FLYNN: Today, yes, it was.

20 Accordingly, we are moving for the
21 admission into evidence of Respondent's Exhibits
22 14.0, 21.0, and 21.1.

1 JUDGE JONES: All right. Those exhibits have
2 been offered.

3 In addition, a couple of exhibits have
4 been circulated and marked by the court reporter.

5 Does anyone need any more time to look
6 over those two exhibits that were just marked?

7 Let the record show no response.

8 Does anyone have any objection to the
9 admission of Mr. Moloney's rebuttal or surrebuttal
10 testimony?

11 Let the record show no objection.

12 Let the record further show that the
13 rebuttal testimony of Mr. Moloney, Respondent's
14 Exhibit 14.0, is admitted into the record as filed on
15 July 13, 2005.

16 Also Respondent's Exhibit 21.0 is
17 admitted into the record as filed on August 29, 2005
18 being the Moloney surrebuttal.

19 Along with that, Respondent's
20 Exhibit 21.1 is admitted into the record, Moloney
21 affidavit filed on e-docket on today's date, 9-13-05.

22 (Whereupon Respondent's Exhibits

1 14.0, 21.0 & 21.1 were admitted
2 into evidence at this time.)

3 JUDGE JONES: Now, it's my understanding there
4 are two DR responses that are to be offered at this
5 time in connection with the Moloney testimony by
6 somebody, is that right?

7 MR. FLYNN: Yes.

8 JUDGE JONES: You want to take care of that
9 now?

10 MR. FLYNN: Yes.

11 The exhibit marked as MSCG Ameren
12 Cross Exhibit No. 2 is being offered by J. Aron and
13 Morgan Stanley Capital Group in lieu of
14 cross-examination of Mr. Moloney and the Ameren
15 Utilities have no objection to that.

16 JUDGE JONES: And that's DR responses to which
17 DRs?

18 MR. FLYNN: The responses to or rather the
19 response to data request Aron/Morgan Stanley 1.1
20 consisting of four pages.

21 JUDGE JONES: Thank you.

22 Any objection to the admission of that

1 exhibit? Let the record show there is not.

2 Accordingly, MSCG Ameren Cross Exhibit
3 No. 2 is admitted into the evidentiary record.

4 As noted, that's a response to a DR as
5 noted by Mr. Flynn, and it consists of four pages.

6 (Whereupon MSCG Ameren Cross
7 Exhibit 2 was admitted into
8 evidence at this time.)

9 JUDGE JONES: Now, there's a staff cross
10 exhibit to be offered at this time also, is that
11 correct?

12 MR. FEELEY: That's correct. It's Ameren's
13 response to FD 4.01 and staff cross exhibit of
14 Mr. Moloney.

15 I do not know what our last number was
16 after we left off.

17 JUDGE JONES: I see a Staff Cross 7 so I
18 believe it's 8. I'm not a hundred percent sure that
19 that's the one although I believe it is, but rather
20 than hold everybody up while we verify that, instead
21 I'll ask the question, does any party have any
22 objection to the admission of the staff cross exhibit

1 data request number FD 4.01 in response thereto
2 consisting of one page?

3 Let the record show no objection.

4 Let the record further show that that
5 staff cross exhibit is hereby admitted into the
6 evidentiary record.

7 We will need to pin down the exact
8 number for that exhibit, but it's the one page
9 response provided by Ameren to the staff DR request
10 FD 4.01.

11 (Whereupon Staff Cross Exhibit 8
12 was marked for identification
13 and admitted into evidence at
14 this time.)

15 JUDGE JONES: Anything else with respect to
16 Mr. Moloney?

17 Let the record show there is not.

18 Anything else today?

19 MR. FLYNN: Judge, we had circulated a revised
20 exhibit list for the Ameren Utilities this morning.
21 That list did not reflect the affidavits that we
22 submitted today for Mr. Fetter and Mr. Moloney, and

1 my question is whether you would like us to revise
2 that list overnight and circulate a second revised
3 exhibit list that reflects those two affidavits.

4 JUDGE JONES: I don't think that's really
5 necessary. Does any party want that to happen?

6 All right. Let the record show no
7 response so that will not be required but thank you
8 for checking.

9 MR. FLYNN: Thank you, Judge.

10 JUDGE JONES: Anything else today?

11 MR. ROBERTSON: Your Honor, I don't know if you
12 want to do this now or you want to wait till
13 tomorrow, but the Ameren IIEC joint exhibit
14 stipulation has still not yet been admitted because
15 we were waiting to see if anybody had cross on it;
16 whatever your preference is.

17 JUDGE JONES: Do you want to button that up
18 now?

19 MR. ROBERTSON: I'm afraid at my age I'll
20 forget about it if we don't do it.

21 JUDGE JONES: All right. That's been the
22 subject of some prior discussions on and off the

1 record. In fact, I think the IIEC witnesses were
2 cross-examined last week but further
3 cross-examination of them was deferred for reasons
4 related at least in part to the exhibit that you just
5 mentioned.

6 I just want to make sure the record is
7 clear on all that.

8 Do you have a copy of that in front of
9 you?

10 MR. ROBERTSON: Yes, sir.

11 JUDGE JONES: And what's the identification on
12 that?

13 MR. ROBERTSON: Ameren IIEC Joint Exhibit
14 No. 1, and it's entitled "Stipulation and Agreement."

15 JUDGE JONES: Are you wanting to offer that
16 into the record at this time?

17 MR. ROBERTSON: I think we previously offered
18 it and you reserved ruling pending people's decision
19 to cross on the docket.

20 JUDGE JONES: You're right. It has been
21 offered.

22 Does anybody have any objection to the

1 admission into the evidentiary record of Ameren/IIEC
2 Joint Exhibit No. 1?

3 All right. Let the record show there
4 is no objection. That exhibit is hereby admitted
5 into the evidentiary record in the Ameren utility
6 procurement proceedings.

7 (Whereupon Ameren/IIEC Joint
8 Exhibit 1 was admitted into
9 evidence at this time.)

10 JUDGE JONES: On the ComEd side, that was
11 handled independently?

12 MR. ROBERTSON: There was no stipulation with
13 ComEd. This was between Ameren and IIEC in the
14 Ameren case, Your Honor.

15 JUDGE JONES: Gotcha.

16 I guess the only open question on
17 that was that I think there may have been cross on
18 those witnesses deferred even as to the ComEd docket,
19 but I believe that that was, that related question I
20 believe was dealt with yesterday while the ComEd
21 document was being heard along with the Ameren
22 dockets with the common witnesses, so I think that

1 that piece of it has been squared away as well.

2 I guess to the extent there's any
3 question at all there, the ComEd docket is subject to
4 the status in the morning.

5 Now, as far as whether there's any
6 further cross of those IIEC witnesses in the Ameren
7 dockets, let's make sure that the record is clear on
8 that.

9 Does anyone have any cross or further
10 cross of the IIEC witnesses in the Ameren dockets?

11 Let the record show no response, so
12 the cross-examination of the IIEC witnesses in the
13 Ameren dockets, be it related to Ameren/IIEC Joint
14 Exhibit No. 1 or other issues, is deemed completed.

15 Anything else?

16 Let the record show there is not.

17 At this time, let the record show that
18 this afternoon's hearing in this proceeding are
19 concluded. We will resume at 9 in the morning.

20 Thank you.

21 (Whereupon the hearing was
22 continued to September 14, 2005
 at 9:00 a.m.)